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THE CONSTITUTIONAL REFERENDUM IN CALIFORNIA.

THE fact that ninety proposals for constitutional amendments were introduced during the last session of the legislature in California, created in some quarters an apprehension that the entire organic law of the state might be going to pieces; and, under the impression that things must be extremely unsatisfactory to call for so many suggestions of change, the legislature hastily passed a resolution submitting to the people the question of calling a convention to frame an entirely new constitution. But there was really no cause for alarm. The truth is that California has been making an extremely interesting experiment in government, and one that promises to work very well. It is nothing less than dispensing with a constitution, in the old sense, and substituting two classes of laws — one of more importance and authority, adopted by the people; and the other of less, enacted by the legislature.[1]

The first constitution of California, framed in 1849, was amended only three times in the course of thirty years. The process of amendment was difficult, for the concurrence of two successive legislatures was required before a proposed change could be submitted to the people. The constitution was drawn

[1] The course of California illustrates a general tendency in our state polity, which is discussed in its broad aspects by Professor Burgess in an article entitled "The American Commonwealth," in POLITICAL SCIENCE QUARTERLY, vol. i, esp. pp. 26–35.

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in general terms, and an amendment was considered a serious matter. The new constitution, adopted in 1879, was framed on entirely different principles. As has often been pointed out, it was not really a constitution, but a code of laws. It regulated a great variety of the affairs of life in minute detail.

A few examples of the contrasted methods of the two instruments may be of interest. The old constitution said:

> No lottery shall be authorized by this state, nor shall the sale of lottery tickets be allowed.

In the new constitution this provision developed as follows:

> The legislature shall have no power to authorize lotteries or gift-enterprises for any purpose, and shall pass laws to prohibit the sale in this state of lottery or gift-enterprise tickets, or tickets in any scheme in the nature of a lottery. The legislature shall pass laws to regulate or prohibit the buying and selling of the shares of the capital stock of corporations in any stock board, stock exchange or stock market under the control of any association. All contracts for the sale of shares of the capital stock of any corporation or association, on margin or to be delivered at a future day, shall be void, and any money paid on such contracts may be recovered by the party paying it by suit in any court of competent jurisdiction.

The old constitution said of appropriations:

> No money shall be drawn from the treasury but in consequence of appropriations made by law. An accurate statement of the receipts and expenditures of the public moneys shall be attached to and published with the laws at every session of the legislature.

To this was added in 1871 the provision:

> The legislature shall have no power to make an appropriation, for any purpose whatever, for a longer period than two years.

On this subject the new constitution laid down these rules:

> No money shall be drawn from the treasury but in consequence of appropriations made by law, and upon warrants duly drawn thereon by the controller; and no money shall ever be appropriated or drawn from the state treasury for the use or benefit of any corporation, association, asylum, hospital or any other institution not under the exclusive management and control of the state as a state institution,

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nor shall any grant or donation of property ever be made thereto by the state; *provided*, that notwithstanding anything contained in this or any other section of this constitution, the legislature shall have the power to grant aid to institutions conducted for the support and maintenance of minor orphans, or half orphans, or abandoned children, or aged persons in indigent circumstances — such aid to be granted by a uniform rule, and proportioned to the number of inmates of such respective institutions; *provided further*, that the state shall have, at any time, the right to inquire into the management of such institutions; *provided further*, that whenever any county, or city and county, or city or town shall provide for the support of minor orphans, or half orphans, or abandoned children or aged persons in indigent circumstances, such county, city and county, city or town shall be entitled to receive the same *pro rata* appropriations as may be granted to such institutions under church or other control. An accurate statement of the receipts and expenditures of public moneys shall be attached to and published with the laws at every regular session of the legislature. . . .

The general appropriation bill shall contain no item or items of appropriation other than such as are required to pay the salaries of the state officers, the expenses of the government, and of the institutions under the exclusive control and management of the state. . . .

Neither the legislature, nor any county, city and county, township, school district or other municipal corporation, shall ever make an appropriation, or pay from any public fund whatever, or grant anything to or in aid of any religious sect, church, creed or sectarian purpose, or help to support or sustain any school, college, university, hospital or other institution controlled by any religious creed, church or sectarian denomination whatever; nor shall any grant or donation of personal property or real estate ever be made by the state, or any city, city and country, town or other municipal corporation for any religious creed, church or sectarian purpose whatever; *provided*, that nothing in this section shall prevent the legislature granting aid pursuant to section twenty-two of this article. . . .

The legislature shall have no power to grant, or authorize any county or municipal authority to grant, any extra compensation or allowance to any public officer, agent, servant or contractor, after service has been rendered, or a contract has been entered into and performed, in whole or in part, nor to pay, or to authorize the payment of, any claim hereafter created against the state, or any county or municipality of the state, under any agreement or contract made

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without express authority of law; and all such unauthorized agreements or contracts shall be null and void. . . .

No bill making an appropriation of money, except the general appropriation bill, shall contain more than one item of appropriation, and that for one single and certain purpose to be therein expressed.

The old constitution disposed of the subject of city and town governments in 133 words; the new one devoted 1925 words to the same topic. The constitution of 1849 regulated revenue and taxation in one short paragraph; that of 1879 handled the subject in thirteen sections, two of which occupied between them nearly eight times the space filled by the entire provision in the earlier instrument. Not a single point covered in the old constitution was neglected in the new, but the new had four entire articles and 125 paragraphs to which there was nothing in the old to correspond.

With so wide a range of possible contingencies thus provided for, the new state government was set to work. But at once the elaborate rules prescribed for its guidance began to chafe. The legislature found itself barred in on every side. Much bad legislation was prevented, but so was much that was necessary. Then the courts began the process of exposition. Between the statutes that were invalidated, because they conflicted with the elaborate provisions of the new constitution, and the constitutional provisions that were themselves annulled, on the ground that they did not harmonize with the Constitution of the United States, it began to look as if California had lost the power to do anything at all. Its paper swaddling bands had stopped all growth and movement. Students of political science pointed to the fundamental law of California as an impressive example of the way in which a constitution ought not to be made. The attempt to provide for everything in advance, it was shown, had led to general confusion and paralysis.

Meanwhile something had to be done, and there was only one way to do it. The people found themselves started, without any theorizing, on the path of facile and copious constitutional amendment. An end that would be reached in another state by an act of the legislature would be attained in Califor-

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nia by tinkering the constitution. In the first legislature that met under the new instrument, three amendments were introduced; but as it was too early to feel the effects of the change in the system of government, none of them passed either house. In the next legislature, whose ordinary session lasted from January 3 to March 4, 1881, nine constitutional amendments were introduced in the senate and eleven in the assembly; but none passed, although eight secured favorable committee reports in the assembly. In the senate were also introduced two resolutions for ascertaining the will of the people upon certain propositions — a device that has found much favor in California ever since the decisive popular vote against Chinese immigration in 1879. One of these resolutions, relating to the method of electing president and vice-president, passed the senate but got no further. There was an extra session immediately afterward, but nothing was then done to alter the constitution.

At the regular session of the next legislature, lasting from January 8 to March 13, 1883, ten proposed constitutional amendments were introduced in the senate, of which three passed that body, while two were submitted to the people and adopted. By that time the limitations of the new constitution were beginning to be felt. Of the two successful senate amendments, one struck out the provision of Article XI, section 19, requiring the prepayment of special assessments for street work. The other provided for the publication of school text-books by the state. The former was adopted by 149,285 affirmative to 7363 negative votes, and the latter by 143,017 votes in favor to 11,930 against. At the same session twenty-eight proposals for amendments were introduced in the assembly. Of these only one (relating to the state board of equalization) passed the house in which it had originated, and that one went no further at the time.

The next year, however, the same legislature was called in extra session to deal with railroad rates and taxes; and on that occasion a senate amendment regarding the board of equalization went through both houses. Although the legislature was not then allowed to touch any subject not mentioned in the

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call, and was therefore confined to the consideration of measures affecting railroads and taxation, nineteen constitutional amendments relating to these topics were proposed in the senate and twenty-six in the assembly. Of the senate amendments, only one passed that body. This one also passed the assembly, was submitted to the people, and was adopted by 128,371 affirmative to 27,934 negative votes. It limited the membership of the state board of equalization to four, and forbade the assessment of money and evidences of debt at more than their face value. Of the assembly amendments, three passed the assembly, but all came to grief in the senate.

In the next legislative session, beginning January 5 and ending March 11, 1885, ten constitutional amendments were introduced in the senate, which declined to pass any of them. Fifteen were introduced in the assembly, of which four passed that body. Two of these related to revenue and taxation, one to the legislative department, and one to the sale, rental and distribution of water. One, providing that railroads should pay income taxes of two and one-half per cent in lieu of all other taxes on plant, franchises, rolling stock and securities, was submitted to the people and defeated by 123,173 negative to 9992 affirmative votes.

About that time the state supreme court profoundly agitated the agricultural community by deciding that the English law of riparian rights prevailed in California, and hence that the diversion of water from streams for irrigation without the consent of the lower riparian owners was illegal. So much feeling was created by this decision that an extra session of the legislature was called in 1886 to protect the irrigation interests. Nothing was accomplished, however. Ten constitutional amendments, and a resolution submitting to the people the proposition to create and maintain state water works for irrigation and other beneficial uses, were introduced in the senate and sixteen amendments in the assembly, but none of them succeeded in passing either house.

The next legislature met on January 3, 1887, and the session lasted until March 12. In the senate seven constitutional

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amendments were introduced, of which five passed the house in which they originated. Two of these related to the judiciary, one to the legislature, one to the boards of education and the examination of teachers in cities, and one to revenue and taxation. The two judiciary amendments passed both houses; but, when submitted to the people at a special election, held on April 12, 1887, were defeated. Of these proposed amendments the first reorganized the supreme court, providing for the departments, the election of the chief justice by the court, twelve-year terms for justices and retiring salaries of $250 per month for unexpired terms in cases of disability. The affirmative vote on that proposition was 29,349 and the negative 41,367. The other raised the salaries of justices from $6000 to $7500, gave the supreme court commissioners a constitutional instead of a statutory standing, with salaries raised from $5000 to $6000, and altered the salaries of superior judges in the counties. This was rejected by a vote of 27,659 to 43,005. At the same session twenty-one amendments were introduced in the assembly, of which five passed that body. Two of these related to the judiciary, one to the powers of the legislature, one to irrigation and one to city charters. The last was submitted to the people, along with the two unsuccessful senate amendments, and was adopted by a vote of 37,791 to 34,156. It extended to cities of over 10,000 inhabitants the power — previously confined to cities of over 100,000 — of framing their own charters.

In the succeeding legislative session, extending from January 7 to March 16, 1889, fourteen amendments were introduced in the senate, which passed five of them, relating respectively to city charters, school text-books, railroad taxation, appropriation bills and judicial salaries. One succeeded in reaching a popular vote, and was adopted by 96,342 ayes to 3275 noes. It extended to cities of 3500 inhabitants the privilege of framing their own charters — a right previously granted first to those of over 100,000 and then to those of over 10,000. In the assembly fifteen amendments were introduced, four of which passed that body, but none went any further.

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By the time the next legislature met, on January 5, 1891, the people had become fairly accustomed to the conception of their constitution as in a state of flux. At this session twenty-three amendments were proposed in the senate, which agreed to eleven of them. Four of these related to taxation, one to freedom of speech and of the press, one to the pardoning power, one to the sessions of the legislature, one to the lieutenant-governor, one to city charters, one to trial by jury and one to the creation of new counties. Three passed both houses and were submitted to the people at the general election in the following year. The first, extending the length of the legislative session for which pay could be drawn from sixty to one hundred days, was defeated by a vote of 36,442 to 153,831. The second, increasing the duties and compensation of the lieutenant-governor and abolishing the limit of $1600 for clerical salaries, was rejected with 43,456 affirmative and 128,743 negative votes. The third, consolidating the provisions about city charters, and providing that charters prepared by boards of freeholders should supersede all laws inconsistent therewith (instead of merely special laws, as had been the rule before) was carried by 114,677 to 42,076.

In the assembly at this session twenty amendments were introduced and three passed — one relating to the powers of the legislature, one to appropriations and deficiencies and one to local indebtedness. Two of these passed both houses and were submitted to the people. The first, embodying in the constitution the statutory method of incurring deficiencies by the unanimous consent of the governor, the secretary of state and the attorney general, was rejected by 69,286 to 87,708. The second, extending the time allowed for local bonds to run from twenty to forty years, was carried by 108,942 to 59,548.

In addition to the five constitutional amendments, this legislature also submitted to the people four propositions. The first called for an expression of opinion on the question whether United States senators should be elected by popular vote. The change was favored by 187,958 voters, while it was opposed by 13,342. The second asked the consent of

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the people to the issue of $600,000 in bonds, payable out of the revenues of the port of San Francisco, for the construction of a new ferry building. The authority was granted by a vote of 91,296 to 90,430. The third was designed to test the popularity of an educational qualification for the suffrage. It was found that 151,320 voters favored such a qualification and 41,059 opposed it. The fourth was a proposition to refund the state debt at a lower rate of interest. As the bulk of the debt of California was held in the school fund, so that there would be no public advantage in a reduction of the interest charge, while the small amount in private hands could be easily paid off without an extension, the refunding plan was rejected by a vote of 79,900 to 85,604.

The session lasting from January 2 to March 14, 1893, was prolific in propositions for amendments, of which twenty-four were introduced in the senate and thirty-one in the assembly. Of the proposed senate amendments nine passed that body and six received the requisite majorities in both houses. Of these, one, transferring the seat of government from Sacramento to San José, was declared by the supreme court to have passed the legislature in an irregular way, and hence was not submitted to the people. The other five were voted upon as follows :

	YES.	NO.
No. 7 (providing for the election of the state board of equalization by congressional districts instead of by equalization districts, thus involving an immediate addition of three members to the board).	86,777	88,605
No. 14 (authorizing the formation of new counties by general laws).	140,713	44,824
No. 16 (exempting free public libraries and free museums from taxation).	135,741	46,338
No. 17 (abolishing the requirement that any new charter adopted for San Francisco should provide for a city council of two chambers).	106,768	62,425
No. 20 (increasing pay of members of the legislature to $1,000 per term).	45,675	146,680

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At this session the constitution-menders of the assembly contributed thirty-one propositions, of which six passed the assembly and four went before the people. All of these were adopted, the vote standing thus:

	YES.	NO.
No. 8 (fixing an educational qualification for the suffrage).	170,113	32,281
No. 7 (exempting young fruit and nut-bearing trees and grape vines from taxation).	147,002	48,153
No. 12 (forbidding the acquisition of real estate by aliens).	119,309	56,805
No. 31 (adding the president and the professor of pedagogy of the University of California to the state board of education).	98,676	77,295

Of the two amendments that passed the assembly but not the senate, one abolished the railroad commission and the other authorized the exemption from taxation of property to the amount of $500 for each taxpayer.

In the next session, beginning January 7 and ending March 7, 1895, twenty-eight amendments were proposed in the senate. Six passed that body, of which three reached the people and were adopted as follows:

	YES.	NO.
No. 8 (authorizing the use of any method of voting prescribed by law, provided secrecy be preserved — the object being to permit the use of voting machines).	121,773	78,086
No. 13 (authorizing cities to provide in their charters for police courts, boards of education, police commissioners and boards of election, and permitting consolidated cities and counties to regulate their county officers).	99,088	74,906
No. 25 (exempting city charters from the control of general laws in municipal affairs).	101,587	74,353

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The three senate amendments that failed to pass the assembly all related to taxation; one providing for the exemption of shipping, one for the abolition of poll taxes, and one for the exemption of household goods to the amount of $200.

The members of the assembly were more industrious on this occasion. They introduced fifty-five constitutional amendments, of which they succeeded in passing nineteen through their own house. Of these, six related to revenue and taxation, two to suffrage and elections, two to judges and juries, one to county officers, one to corporations, four to the legislature and legislation, one to the railroad commission, one to the ownership of property by aliens and one to the manner of amending the constitution. Three passed both houses, but all were defeated on the popular vote, to wit:

	YES.	NO.
No. 11 (providing for woman suffrage).	110,355	137,099
No. 19 (establishing limited liability for stockholders in corporations).	82,609	109,433
No. 33 (exempting mortgages and trust deeds from taxation).	63,620	158,093

The next and latest session of the legislature extended from January 11 to March 19, 1897. Ninety constitutional amendments were introduced, — forty-four in the senate and forty-six in the assembly, — and the general belief that thirty or forty of them would reach the people stimulated the fear that the whole system of government might be going to wreck. At least twenty would, no doubt, have been submitted, but for the fact that the legislature, in its anxiety to prevent a politically hostile governor from "pocketing" bills, adopted a rule setting apart the last twelve days of the session for the consideration of constitutional amendments. The intention was to present all bills to the governor before this period began, so that he would have none in his hands when the legislature adjourned; but in practice the rule was not observed, for the bills crowded in until the end of the session, and most of the constitutional amendments died for lack of time to consider them. Inciden-

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tally, to illustrate the facility with which ingenuity sometimes overreaches itself, eighty bills perished in the governor's pocket.

Of the forty-four constitutional amendments introduced in the senate, six passed that body. Three — relating respectively to a division of the state into fish and game districts, to the judiciary and to the compensation of county and township officers — failed to pass the assembly. The other three — of which one provided for home rule throughout the state by authorizing the people of the counties to frame and adopt their own county government acts, one related to revenue and taxation, and the other created a court of claims — passed both houses and will be submitted to the people at the next general election.

The assembly adopted eight of the forty-six amendments that originated in that body. Four of these, three relating to revenue and taxation and one to special and local legislation, stopped there. The other four — relating respectively to the lieutenant-governor, the sessions of the legislature, the organization of consolidated city and county governments, and grammar schools — will be submitted to popular vote at the next election. In addition to the seven senate and assembly amendments upon which their judgment will be required, the people will also have to decide whether a convention shall be called for the construction of an entirely new constitution.

Since the present organic law of California has been in force four hundred and eighty-six constitutional amendments have been introduced in one house or the other of the legislature. Of these ninety-nine have passed the house of origin, thirty-five have been submitted to the people, seventeen have been adopted, eleven defeated and seven are pending. The table on the opposite page shows the progress of such legislation.

In some states the complaint is heard that the people do not vote on constitutional amendments with discriminating intelligence. Sometimes they accept everything that is offered to them, and at other times reject everything. Often they are said to be guided by party considerations, following blindly the lead of political conventions which endorse or condemn certain

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LEGISLATIVE SESSIONS.

AMENDMENTS	23D 1880	24TH 1881	24TH Extra 1881	25TH 1883	25TH Extra 1884	26TH 1885	26TH Extra 1886	27TH 1887	28TH 1889	29TH 1891	30TH 1893	31ST 1895	32D 1897	TOTAL
Introduced . .	3	21	—	38	45	25	26	28	29	43	55	83	90	486
Passed house of origin . . .	—	—	—	4	4	4	—	10	9	14	15	25	14	99
Submitted to people . . .	—	—	—	2	1	1	—	3	1	5	9	6	7	35
Adopted . . .	—	—	—	2	1	—	—	1	1	2	7	3	—	17
Rejected . . .	—	—	—	—	—	1	—	2	—	3	2	3	—	11
Pending . . .	—	—	—	—	—	—	—	—	—	—	—	—	7	7

amendments. Nothing of this sort is known in California. There the voters consider each proposed amendment on its own merits, and as a rule their decision is wise. Of the seventeen amendments adopted it is safe to say that, according to the consensus of intelligent opinion, at least fifteen effected an improvement in previously existing conditions. The expediency of the other two — one providing for the publication of school text-books by the state and the other forbidding the acquisition of real estate by aliens — is still in dispute; but both struck at acknowledged evils and are thoroughly approved by public sentiment. The table printed above shows the manner in which the projects of innovators are sifted out until only the most desirable become embodied in law. At every session of the legislature swarms of more or less well-meaning citizens appear at Sacramento to urge the adoption of proposed alterations of the constitution. At a rough guess it may be said that at least a thousand such propositions have been advanced in the past seventeen years. Four hundred and eighty-six of these have had sufficient merit or influence—very little of either being required at this stage—to get themselves formally introduced. Ninety-nine have passed the ordeal of consideration in committee and have commended themselves to the judgment of two-thirds of the members of one house. Thirty-six have secured the votes of two-thirds of each house, and of these one has been invalidated by the courts without submission to the people. Eleven have been rejected at the

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polls, seven remain to be acted upon, and only seventeen, out of the original thousand or more, have found their way into the constitution.

It is often urged against the principle of popular lawmaking that the people do not take an interest in abstract propositions, and that measures submitted to their decision are disposed of by a small fraction of the electorate. This has not been the experience of California. There it has been found that it is impossible to poll a full vote at special elections, whether for constitutional amendments, city charters, authorizations of bond issues, filling official vacancies or anything else; but when an amendment is submitted at a general election, about two-thirds, as a rule, of those who vote for the heads of the tickets, express their opinions upon it. The average vote for constitutional amendments in each year, as compared with the total vote for the heads of the national or state tickets at the same election, is shown by the following table:

	TOTAL VOTE.	AVERAGE VOTE ON AMENDMENTS.	PERCENTAGE OF AMENDMENTS TO TOTAL.
1884	196,641	155,966	79.3
1886	195,294	133,165	68.6
1890	252,386	99,617	39.4
1892	269,923	168,941	62.5
1894	284,547	183,797	64.6
1896	296,503	202,208	68.2

The highest proportionate vote ever cast for an amendment in California was in 1896, when 247,454 votes were polled on the question of woman suffrage, or 83.4 per cent of the number cast for president on the same day; the lowest was in 1890, when 99,617 citizens, or 39.4 per cent of the number voting for governor, expressed their opinions on the subject of permitting cities of over 3500 inhabitants to frame their own charters. The small vote on the latter occasion was due to the fact that the proposition was substantially unopposed. The lack of an absolutely full vote on any question is, more-

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over, not a disadvantage, but the reverse. It means that only those who feel some interest in the subject, and are therefore prepared to act with a certain intelligence, take the trouble to vote, and that the members of the unintelligent residuum voluntarily disfranchise themselves.

The conservatism which is characteristic of legislation by referendum, wherever it is intelligently applied, is a marked feature of constitutional development in California. Changes are effected step by step, as the need for them becomes apparent in the light of experience. No experiments are tried from a mere light-hearted love of novelty, and yet the fact that a device is novel does not prevent its adoption if it be plainly needed. The workings of the system are well illustrated by the evolution of the rules controlling the organization of city governments. The original constitution, as framed in 1879, authorized cities of over 100,000 inhabitants to draw up and adopt their own charters, subject to the formal approval of the legislature. As it had become evident by 1887 that this privilege was in no danger of abuse, it was extended to cities of 10,000 inhabitants. The next legislature proposed an amendment, which was adopted, reducing the limit of population to 3500. Perhaps it should be explained that under the present constitution the legislature has never had the power of framing a special charter for any town, however insignificant. The smallest village has a right to incorporate itself, by its own vote, as a municipality of a certain class, under a general form of charter adapted to all places of that class; but every town of 3500 inhabitants and over can now make its own charter to suit its special needs. After several cities had attained self-government, as they thought, through charters framed by boards of freeholders, it was discovered that in some of the most important matters, such as street work, their hands were tied by previous legislation; since the constitution provided that such charters should supersede special laws inconsistent with them, but left them still subject to general laws. In 1892 this defect was corrected by the passage of a constitutional amendment striking out the word "special" and thus

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making charters take precedence of all existing laws of every description. They were still liable, however, to interference from general legislation passed after their adoption; and in 1896 the people carried the principle of home rule to its logical conclusion, by making freeholders' charters supreme in municipal affairs, even as against later general laws. Meanwhile, in 1894, the same principle had been recognized by the adoption of an amendment striking out the constitutional provision requiring cities of the first class — that is to say, San Francisco — to embody the bicameral system in any future charters. Finally, in 1897, the legislature submitted a new amendment, designed to extricate San Francisco from the tangle in which it has been involved by a recent supreme court decision on the structure of consolidated city and county governments.

For many years the struggles over special legislation creating new counties was a growing scandal. A group of real-estate speculators in an ambitious town would raise a fund and take it to Sacramento to smooth the way for the passage of a law authorizing the formation of a county, with that town as its seat of government. The business men of the old county would raise another fund, and prosperity would prevail in the lobby. A single contest of this sort would sometimes last through two or three sessions, and "county-division fights" became as notorious as senatorial elections for their demoralizing effects. To cure this evil the legislature in 1893 proposed, and the people in the following year adopted, a constitutional amendment permitting the formation of new counties under general laws by the vote of the people interested. In the same line is an amendment, recently submitted, abolishing the occasion for the "county-government fights" at Sacramento by authorizing the people of the respective counties to regulate their own governments, after the manner of city charters.

Again, the plan of taxing everything, adopted in 1879, has been found to be too burdensome, and is now in course of relaxation. In 1894 amendments were adopted to exempt free public libraries, free museums, and young fruit and nut-bearing trees and grape vines; an agitation in favor of exempting ship-

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ping will probably soon succeed; and an earnest effort is on foot to secure the remission of the whole subject to the counties.

The evils of an ignorant electorate are undeniable; but if correction of them had been left to the legislature, it is probable that the fear of incurring unpopularity by restricting the franchise would have prevented action. There could be no danger, however, in asking the people whether they wanted a restriction; and, accordingly, the question was put in 1892. When a majority of the voters in every county of the state, aggregating 151,320 against 41,059, announced their desire for an educational qualification, there was no hesitation in submitting a constitutional amendment restricting the suffrage to those who could read the constitution in English and write their names, and this was adopted by a vote of 170,113 to 32,281.

The suspicious vigilance of the people never tolerates anything that appears to cover a "job." Repeated efforts have been made to increase the pay and privileges of members of the legislature and other public servants, but always without success. The Southern Pacific Company, which always controls the legislature when this seems to be worth while, undertook in 1885 to secure a change in the methods of taxation, by which it would be taxed on its income instead of on its property. There was no trouble in getting a two-thirds vote of each house of the legislature in favor of the necessary amendment; but when the measure came before the people, only 9992 citizens, or just about the number of the employees of the corporation, voted in its favor, while 123,173 voted against it.

Of course this process of popular law-making under constitutional forms has carried the constitution far from the scientific ideal of such an instrument, has destroyed any symmetry and simplicity it might have had — though, as a matter of fact, this particular constitution never possessed those qualities — and has made somewhat more hazy than before the general knowledge of the actual state of the fundamental law. But nevertheless, as compared with the ordinary processes of legislation, the gain in simplicity and certainty has been enormous. The state constitution, with all its amendments, can be carried

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in the pocket, while every session of the legislature turns out a thick volume of statutes, each of which in turn engenders several volumes of court reports. Although the layman cannot be absolutely safe in interpreting even the constitution for himself, the courts take far fewer liberties with its text than with the acts of the legislature, which are treated so cavalierly that they hardly carry even a presumption of expressing the law until they have been confirmed by judicial sanction. Hence there is gradually growing up in California a body of law which is "understanded of the people," which is comprised in manageable bulk and which is grounded on popular approval. It deals with the most substantial interests of the community, and through its agency the opportunities for mischief open to legislative caprice and corruption are narrowing year by year. Impatient reformers become disheartened because everything is not accomplished at once, but no general election passes without the correction of some abuse in government or the achievement of some positive advance. When the harness chafes long enough at any particular point to make the annoyance seriously felt, the people alter it until it is comfortable; and as no good piece of work of this sort is ever undone, the ultimate achievement of a perfect fit is only a question of time.

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THE EARLY HISTORY OF THE UNITED STATES CONSULAR SERVICE. 1776–1792.

THE diplomatic service of the United States has been studied with commendable care, but the history of our consular system has been surprisingly neglected by students of American political institutions. The reasons for this are probably to be found in the causes that account for the neglect from which our consular service has suffered throughout its history. In the foreign relations of the United States, political questions have held first place in the minds of our lawmakers and the problems of foreign trade have ranked second. Indeed, not a few of the legislators have believed an antagonism to exist between domestic industrial development and the increase of foreign trade; and, among those who have had less extreme views, many have thought that the internal development of our country gives ample opportunity for the exercise of every economic endeavor of American labor and capital.

That the consular service of the United States is at present receiving more consideration on the part of business men and Congressmen is one of many indications that our economic aspirations are undergoing a change. Without neglecting the promotion of our domestic industries, greater efforts are being made to stimulate foreign trade and to secure for goods of American production more and better markets abroad. Hence it is that the consular service, maintained for the protection and promotion of our commercial interests, is receiving unusual scrutiny and criticism. The present, therefore, seems an opportune time to study the origin and development of this branch of our foreign service.

Our consular service originated and had its early development during the years of our national life that preceded 1789; and the institution, as it then existed, was adopted by Congress, when in 1792 it passed the "act concerning consuls and vice-

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consuls," which, without any important alteration, remained the basis of the service for over sixty years. The present paper is designed to outline the history of the service from 1776 to 1792.

The foreign relations of the United States began with the assumption of the powers of national government by the Continental Congress. During the Revolutionary War representatives of Congress in foreign countries were occupied in purchasing supplies, in borrowing money, in securing the alliance and support of the nations hostile to Great Britain, in negotiating treaties of amity and commerce with our allies, and in encouraging foreigners to fit out privateers to prey on British commerce. The purchase of supplies and the negotiation of loans were properly fiscal functions; the other activities referred to were diplomatic in character. As commercial intercourse grew up between the United States and foreign countries, it became necessary that the representatives of our government abroad should also exercise consular functions.[1]

There being no separate executive branch of the government, the exercise of these and the other executive functions was controlled by Congress, either directly or through committees. The officials of the United States sent abroad were appointed partly by Congress and partly by its committees. The three committees that exercised control over foreign affairs were those respectively on secret correspondence, on commerce and on the marine. The first of these was established by Congress November 29, 1775,[2] its name being changed in April, 1777, to

[1] In the Consular Regulations of the United States may be found a full statement of the functions and prerogatives of American consuls. A revised edition of the Regulations appeared at the beginning of 1897.

[2] Resolution of Congress, November 29, 1775:

RESOLVED, that a committee of five be appointed for the sole purpose of corresponding with our friends in Great Britain, Ireland and other parts of the world; and that they lay their correspondence before Congress when directed.

RESOLVED, that this Congress will make provision to defray all such expenses as may arise by carrying on such correspondence and for the payment of such agents as they may send on this service.

— Secret Journals of Congress and Journals of Congress.

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"the committee of foreign affairs." This body conducted the greater part of the correspondence with the American agents and commissioners abroad until, experience having demonstrated the inability of a committee of five men to administer the foreign affairs of the government with success, Congress organized a department of foreign affairs, under the charge of a salaried secretary, and gave the work to that official. The committee on commerce and the marine committee were not connected with the foreign representatives of the United States so closely as was the committee of foreign affairs. They shared with the latter, however, the work of securing supplies; and at times one or the other of them served Congress as the medium of correspondence with its representatives abroad. The president of Congress, too, as well as the committees — especially during the two years preceding the establishment of a department of foreign affairs — corresponded with the foreign representatives of the United States. It was to the marine committee, as will be seen from what follows, that Congress referred questions relating to the conditions and manner of receiving foreign consuls in the United States and to the powers and privileges of such officers.

At the beginning Congress exercised its executive functions in a very unsystematic way. The duties of the three committees just referred to were not well differentiated, and our foreign representatives were accountable for their acts to the various committees as well as to Congress directly. Moreover, no distinction was made between fiscal, diplomatic and consular functions, and all three were exercised by the same officials abroad. The business agents, usually called "commercial agents," performed consular as well as fiscal services. When the war ended, Congress no longer required the services of fiscal agents, but the office was continued for the supervision of consular affairs.[1] Our commissioners and the ministers who succeeded them at the court of France exercised all three functions. Under these circumstances, it is obvious

[1] Jefferson, in a letter to Jay, November 14, 1788, gives a list of the agents in French ports in 1788. — Diplomatic Correspondence, 1783–89.

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that, in this discussion of the early history of our consular establishment, some reference to the diplomatic service and to the fiscal agents of the United States is unavoidable.

The way in which the consular service grew up and was separated from the other branches of our foreign service may be illustrated, by reference to some of the earlier foreign representatives of the United States and to the duties performed by them. The first persons chosen to represent us abroad were Arthur Lee, then living in London, and C. W. F. Dumas, of The Hague, who were appointed, in December, 1775, by the committee of secret correspondence as "secret agents."[1] Their work was of a semi-diplomatic character, but was, of course, to be conducted without their having any official standing with foreign governments. The next step was taken in January, 1776, when the committee of commerce appointed Silas Deane to go to France to spend £40,000 in the purchase of supplies. In February, before Deane sailed, the committee of secret correspondence appointed him political and commercial agent for the United States in Europe;[2] and he went "to France to obtain supplies and to ascertain the dispositions of the governments."[3] The committee of secret correspondence also appointed as its agent in France Thomas Morris, a half-brother of Robert Morris. Morris stationed himself at Nantes, where he acted as "commercial agent of Congress" until removed for neglect of duty. At first neither Deane nor Morris had any consular duties; but as our commercial and naval relations with France became more intimate, attention to such duties became necessary — the care of American seamen in foreign ports, for example, had to be assumed.

[1] Arthur Lee had succeeded Franklin as agent of Massachusetts in England. Dumas was a friend of Franklin, living at The Hague. For an account of these men consult Wharton, Introduction to Diplomatic Correspondence of the American Revolution, §§ 136–154 and § 185. The instructions sent Lee by the committee of secret correspondence, under date of December 12, 1775, are given in vol. ii of this work, pp. 63, 64. The instructions to Dumas, dated December 19, 1775, are in vol. ii, pp. 64–67.

[2] Sumner, The Financier and Finances of the American Revolution, I, 159; Trescot, Diplomacy of the Revolution, p. 164; Wharton, Diplomatic Correspondence of American Revolution, II, 78.

[3] Lyman, Diplomacy of the United States, 2d ed., p. 24.

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In September, 1776, Congress decided to appoint three commissioners to represent the United States in France and to negotiate treaties of alliance and of amity and commerce with that country. Deane was one of the three chosen; Franklin and Arthur Lee[1] were the other two. The next year these commissioners took up their residence in France. Their powers were indefinite: they negotiated treaties, purchased supplies, took general charge of our commercial interests — in short, did whatever the interests of the United States seemed to require. Their activity involved the exercise of diplomatic, fiscal and consular powers. The commercial agents continued to purchase supplies for the United States, and acted as the agents both of the committees of Congress and of the commissioners at Paris. Together with the commissioners they had charge of our commercial and maritime interests.

The defects in the administrative machinery of the national government before the adoption of the Constitution were manifest on every hand. The foreign service was no exception. The appointment of three commissioners instead of one minister to represent us in France was a mistake[2] that Congress soon recognized and corrected. The commercial agents were without definite powers and received their appointment from various sources. They were not always Americans. They were remunerated by commissions instead of by salaries, and they were inefficient both as fiscal agents and as consular officers.

The necessity of placing the business of the United States in charge of regularly appointed and responsible officers began to be urged as early as 1778. The first request for the appointment of American consuls came from the commissioners at Paris. The fiscal duties that devolved on the commissioners and on Franklin, who succeeded them as minister, were onerous and required much time.[3] They desired Congress to make

[1] Jefferson was one of the three first chosen, but, as he could not serve, Arthur Lee was selected in his place.

[2] John Adams to Samuel Adams, May 21, 1778; Franklin to Lovell, July 22, 1778. — Diplomatic Correspondence of American Revolution, II, 592, 593, 658, 659.

[3] Besides sharing with Congress the power of appointing agents, the commissioners were entrusted with the oversight of these officers and with the power of

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such a division of functions among the foreign representatives of the United States as would permit the diplomats to confine themselves to diplomatic affairs. John Adams, whom Congress elected "a commissioner in the room of Silas Deane," [1] had been in France but a short time before he wrote to the committee on commerce:

> I find that the American affairs on this side of the Atlantic are in a state of disorder very much resembling that which is so much to be regretted on the other. . . . We have in some places two or three persons who claim the character of American agents, agents for commercial affairs and continental agents, for they are called by all these different appellations. In one quarter (Nantes) one gentleman claims the character from the appointment of Mr. William Lee, another claims it from the appointment of the commissioners at Passy and a third from the appointment of a commercial committee of Congress. This introduces a triple expense and much confusion and delay.

Adams closed his letter by suggesting the appointment of consuls. Franklin also on several occasions urged Congress to appoint consuls, both because the plan of appointing as commercial agents merchants of France worked badly and expensively, and also because he wished to confine himself to

removing them from office. (Resolution of October 21, 1777, Journals of Congress, III, 355.) The commissioners found that the supervision of the commercial agents seriously interfered with their other duties. John Adams, in a letter to Samuel Adams, written May 21, 1778, criticised the diplomatic system of the United States because it blended "the business of a public minister with that of a commercial agent." "The business of various departments," said he, "is by this means so blended, and the public and private expenses so confounded with each other, that I am sure no satisfaction can ever be given to the public of the disposition of their interests. . . . My idea is this: separate the offices of public ministers from those of commercial agents." (Consult also Adams's letter to the commercial committee, May 24, 1778, for a statement of the relation of the agents to the commissioners and for a description of the unsatisfactory working of the plan followed in appointing commercial agents.) Franklin wrote the following year: "Commercial agents . . . and the captains are continually writing for my opinion or orders or leave to do this or that, by which much time is lost to them and much of mine taken up to little purpose from my ignorance."

[1] Adams was elected commissioner November 28, 1777. He left America the middle of February, 1778, and arrived in France early in April.

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diplomatic affairs and to be relieved of the fiscal duties of a commercial agent.[1]

Provision had already been made by a treaty with France for the appointment of consuls to French ports, a consular service being then, as now, a recognized part of every well-organized government. Our first treaty of amity and commerce with France was signed by the plenipotentiaries February 6, 1778. In section 29 of that treaty the two contracting parties agreed to "grant mutually the liberty of having each in the ports of the other consuls, vice-consuls, agents and commissaries whose functions shall be regulated by a particular agreement." The particular agreement regulating the functions and powers of the consuls of France and the United States was embodied in the treaty signed by the representatives of the two governments in 1788.[2]

Congress was somewhat slow to appreciate the need of separating the diplomatic from the fiscal and consular services and of substituting consuls for commercial agents. The first step taken toward introducing some system into the foreign service, as it had developed during the first two years, was to place the power of appointing one or more commercial agents for all Europe in the hands of the commissioners. This was done by resolution of February 9, 1778, before it was known that the treaty of amity and commerce with France had been signed. This resolution did not accomplish what the commissioners and ministers desired. Had the commissioners appointed one or more persons to take general charge of the commercial and fiscal business of the United States and entrusted them with the supervision of the agents at the several ports, the commissioners would still have been responsible for the acts

[1] The appointment of consuls by Congress was suggested in a letter of the commissioners to the president of Congress, July 20, 1778. In a letter to Lloyd, of the committee of foreign affairs, February 1, 1779, Franklin wrote: "We have long since written to Congress advising and requesting that consuls might be appointed, and we have expected every day for some months intelligence of such appointments." Consult also Franklin's letter to the committee of foreign affairs, May 26, 1779, and his letter to the marine committee of Congress, June 2, 1779.— Wharton, Diplomatic Correspondence, vol. iii.

[2] *Infra*, pp. 37–39.

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of their appointees. Neither the commissioners nor Franklin, when he became minister, made use of the additional power conferred upon them by the resolution, because the treaty signed at the time the resolution was passed provided for the appointment of consular officers by Congress.[1] The commissioners and Franklin supposed that Congress would entrust the consuls with the commercial and fiscal business of the United States.

During the two years following the passage of the resolution of 1778 there was no development of our consular service or differentiation of functions among our foreign representatives. No systematization was introduced into the foreign service other than that of substituting a minister in the place of the three commissioners who had represented our government at Paris. Congress neglected to carry section 29 of the treaty into effect, though the necessity of appointing consuls, to have charge of consular as well as fiscal affairs, was frequently urged by the ministers abroad. Jay wrote from Cadiz, March 3, 1780: "It is most certain that for want of proper persons to take care of our distressed seamen who, escaping from captivity at Lisbon, Gibraltar, *etc.*, daily arrive here, America loses many of them." Franklin wrote, March 4, 1780:

> As vessels of war under my care create a vast deal of business[2] (of a kind, too, that I am inexperienced in, and by distance from the coast is very difficult to be executed), I must repeat my earnest request that some person of skill in such affairs be appointed in the character of consul to take care of them. I imagine that much would by that means be saved in the expense of their various refittings and supplies, which to me appear enormous.

The French government was much more prompt in making the consular appointments for which provision had been made in the treaty. Without waiting to receive news of the ratifica-

[1] *Cf.* Franklin's letter to Lloyd *et al.*, February 1, 1779: "But supposing that this resolution would not have been passed if they [Congress] had been apprised of the treaty, and expecting that soon after the ratification of the treaty they would appoint consuls, we have as yet done nothing in consequence of that resolution." — Wharton, Diplomatic Correspondence, III, 35.

[2] This business would be mainly fiscal, but in part consular.

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tion of the treaty by Congress, the French government, March 28, 1778, appointed Conrad Alexander Gerard, the person who had represented France in the negotiation of the treaty, minister plenipotentiary to the United States and "consul general at Boston and other ports belonging to the United States of North America, with power to appoint consuls and vice-consuls in the places where he shall judge them necessary." [1] Gerard, July 15, 1778, appointed J. Holker naval agent of France in the United States and consul at the port of Philadelphia. A consul for Maryland was appointed in October, and other appointments followed as the requirements of the French commerce and navy developed the need for consular officers. In 1784 France had a consul general, four consuls and five vice-consuls in the United States.

It was not till November 4, 1780, that Congress first appointed a consul. On that date Col. William Palfrey, paymaster general of the Continental armies, was elected "a consul to reside in France, at a salary of $1500 per annum, in lieu of all commissions for business done on account of the United States." Though Palfrey's title was consul, he was in reality a consul general, and he also had general supervision of the fiscal business of the United States in France. The letter which he received from Lovell, chairman of the committee of foreign affairs, to present to Franklin stated that "the bearer, William Palfrey, our late paymaster general, has been appointed consul in France with powers adequate to a general agency in our commercial concerns there."

Palfrey's ship was lost in a storm at sea and he did not reach his post. Knowing that Palfrey had not reached France, but uncertain of his fate, Congress, June 21, 1781, resolved

> that a vice-consul be appointed to reside in France who shall exercise all the powers and perform the services required of William Palfrey, during his absence from that kingdom, or during the pleasure of Congress; and be allowed a salary of 1000 dollars per annum, in lieu of all commissions for business done on account of the United States of America.

[1] Gerard arrived in the United States July 10, 1778, and resigned in September, 1779.

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Five days later Thomas Barclay was elected to the office, and he soon proceeded to his post. When the death of Palfrey became known Barclay received the title of consul,[1] with duties both fiscal and consular. Franklin had been the minister to the French court since September 14, 1788; Jay was appointed minister to Spain in 1779; hence, after the appointment of Barclay our foreign service included the two usual classes of officers, ministers and consuls — though there was not so sharp a division of powers between them as now exists. It may be noted in passing that the first consuls appointed were salaried officers.

In the meantime the supervision of foreign affairs by means of a committee had become intolerably inefficient ;[2] and Congress had voted, January 10, 1781, to establish the office of "secretary for foreign affairs." It was August 10, however, before the first secretary, Robert Livingston, was elected, and not until October that Livingston entered upon the duties of his office.[3] By an act passed February 22, 1782, Congress formu-

[1] Vergennes objected to Barclay's title of consul. It was not until October 3, 1782, that Franklin received from Vergennes Barclay's exequatur as consul. This was over four years after Congress had recognized Gerard as consul-general of France in the United States.

[2] Franklin, in a letter dated August 20, 1781, and written to Jay, who was then minister to Spain, states how badly the committee on supervision of foreign affairs worked: "In yours of the 31st of May you complain of the want of regular intelligence. I *sympathize* because I suffer with you. I receive indeed a number of letters from Mr. Lovell, but they are very short and mostly to acquaint me that he cannot write fully because the committee of correspondence are not easily got together. To many of my letters I have never received any answer. The Congress have wisely put their finances into the hands of one intelligent person. I wish they would do the same with their correspondence, by appointing a single secretary for foreign affairs. I know nothing of what passes in America but what I learn from their newspapers, or the English, or from ministers here, who are more early informed than I am even of what relates to myself; and it was of M. de V. that I first learnt Congress had refused to grant my request of dismission from their service." — Wharton, Diplomatic Correspondence, IV, 643.

[3] Livingston resigned from the office of secretary for foreign affairs June 4, 1783. Jay assumed the duties of the office December 21, 1784. In the interim "the correspondence was carried on directly with Congress, the instructions being given by the president, and the dispatches of the ministers of the United States abroad, as well as the communications of the foreign ministers here, being addressed to him." — Introduction to Diplomatic Correspondence of the United States, 1783–89.

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lated more definitely the powers of the secretary for foreign affairs and extended them somewhat beyond those granted by the act of January 10, 1781. Yet these powers were still so limited that Congress remained the real head of our consular and diplomatic services. According to the act of 1782, "the correspondence and communications with the ministers, consuls[1] and agents of the United States in foreign countries" were to be carried on through the office of foreign affairs, but important letters were to be submitted to Congress before being sent. The secretary was directed to

> use means to obtain from the ministers and agents of the said United States in foreign countries an abstract of their present state, their commerce, finances, naval and military strength and the character of sovereigns and ministers and every other political information which may be useful to the United States.

If Congress really expected the secretary to carry out this section, it must have intended to enlarge and develop the consular and diplomatic services.

With the close of the war and the successful establishment of our national independence, the international relations of the United States were widened. During the war our intercourse had been mainly with our allies and supporters — France, Holland and Spain, the natural enemies of England. Other nations had shown no disposition to recognize us by exchanging ministers or otherwise. October 8, 1782, after actual hostilities with Great Britain had ceased, our friendly relations with the Netherlands were cemented by the conclusion of a treaty of amity and commerce similar to that made with France four and a half years earlier. Spain was suspicious of us and did not enter into treaty relations. In March, 1783, a treaty was signed with Sweden — the first to be concluded without solicitation from this side of the water — and in 1785 an agreement was reached with Prussia. Each of these treaties of commerce, made after 1778, contained a clause similar to section 29 of the treaty with France, by which the contract-

[1] The word "consul" is not contained in the act of January 10, 1781.

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ing parties were guaranteed the mutual right of appointing consuls.

With the restoration of peace the foreign trade of the United States was renewed, and, being no longer under the restrictions of British navigation laws, was open to all commercial nations. The merchants of Continental Europe expected to divert from England a large part of this trade,[1] and with this in view many of these merchants applied to our ministers for appointments to American consulates in European ports. Jay wrote to Livingston from Paris, April 11, 1783: "Numberless applications for consulships continue to be made and some will probably reach you. In my opinion, Americans only should be employed to serve America."[2] On April 15, 1783, Franklin wrote:

> There is not a port in France, and few in Europe, from which I have not received several applications of persons desiring to be appointed consuls for America. They generally offer to execute the office for the honor of it without salary. I suppose the Congress will wait to see what course commerce will take and in what places it will fix itself, in order to find where consuls will be necessary before any appointments are made, and perhaps it will be thought best to send some of our own people.[3]

The ministers, as these quotations indicate, favored the selection by Congress of American citizens for consular positions. Congress also was at that time more hostile than it was later to the appointment of foreign merchants. The first action concerning the consular service, taken by Congress after the close of the war, was the passage of a resolution, March 16, 1784, which declared "that it is inconsistent with the interests of the United States to appoint any person not a citizen thereof

[1] In this they failed, and our trade continued to be mainly with Great Britain. The reasons why France failed to secure American trade are well set forth in Jefferson's letter to Jay, January 2, 1786, in which Jefferson reports the substance of his conversations with Vergennes in 1785. — Diplomatic Correspondence, 1783–89.

[2] Wharton, Diplomatic Correspondence, VI, 368.

[3] *Ibid.*, VI, 379. Franklin was not opposed to allowing consuls to trade. He writes: "If they are not allowed to trade there must be a great expense for salaries. If they may trade, and are Americans, the fortunes they make will mostly settle in our own country at last."

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to the office of minister, *chargé des affaires*, consul, vice-consul or to any civil department in a foreign country." [1]

It is easier for an inefficient government, such as ours was under the Articles of Confederation, to make treaties than to enact the legislation necessary to carry out their provisions. It was not until 1785 that Congress attempted to outline an organization for our consular service and to give it the basis of a definite legislative enactment. On the 9th of August of that year it was ordered by Congress "that the secretary for foreign affairs report the number of consuls and vice-consuls necessary to be appointed by Congress and the foreign ports in which they should respectively reside." The report made by the secretary, in accordance with this order of Congress, was debated by that body in October. An attempt was made to pass an ordinance, vesting foreign ministers of the United States and *chargés des affaires* acting as ministers with the powers of consuls general, and providing for the appointment of consuls to eighteen European ports and Canton.[2] By vote on the 27th this ordinance, previously postponed, was lost. Nine states were represented, Rhode Island voting in the negative, as also did the one representative of New York present, while Maryland's vote was divided. On the following day, upon motion of Pinckney of South Carolina, seconded by Gerry of Massachusetts, the following resolution was passed:

[1] This resolution was passed in response to a letter written by Franklin to Congress December 23, 1783. Franklin suggested that, if Congress did not see fit to appoint an American to the consulate in London, the office be given William Hodgson, a merchant of London, who had done much to relieve the American prisoners. — Journals of Congress, IX, 60.

[2] The ordinance was as follows: "Be it ordained that the ministers plenipotentiary of the United States be vested with the powers of consuls general. That at the courts where no ministers reside the *chargé des affaires* of the United States be empowered to exercise the duties of a consul general. That consuls shall reside at Bilboa, Cadiz, Malaga, Alicant, Barcelona, Teneriff, Lisbon, Madeira, Amsterdam, London, Bristol, Liverpool, Glasgow, Dublin, Cork, Belfast, Copenhagen, Stockholm, Canton. That no consul general, being minister resident or *chargé des affaires*, shall be concerned in any trade or commerce whatever. That the consuls general be empowered to suspend any consul within their jurisdiction, for good reason, and report the same to Congress, who will ultimately judge of such suspension; and that they determine the boundaries of each consulate within their jurisdiction."

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Whereas it is expedient that consuls should be appointed in the different states with which the citizens of the United States are engaged in commerce; therefore,

RESOLVED, that the ministers plenipotentiary of the United States in Europe, and where there is no minister the *chargé des affaires*, shall exercise the powers of a consul general for the kingdom or states in which they respectively reside, provided that no additional salary be allowed for such service.

This resolution definitely established a consular service. The service, however, was not given a separate and independent organization, but was attached to the diplomatic branch of the administration. In thus uniting the two branches of service Congress disregarded the recommendations of the foreign ministers of the United States, who, as we have seen, had frequently advised the separation of the two. In this course Congress cannot be said to have acted wisely. A strong independent consular service would have been of assistance in restoring to the United States the foreign trade that had been interrupted by the war. Certainly a good consular service would have helped the merchants of the United States to develop a trade with other countries than England; and it is possible that the British government might have burdened the trade of the United States with fewer restrictions, had there been efficient American consuls in England to set forth the mutual advantages to both countries of an unrestricted trade.

The resolution of October 28, 1785, differed from that defeated on the previous day, in not providing for the appointment of consuls at specific ports and in stipulating that the ministers plenipotentiary of the United States should not receive any extra pay for performing the duties of consuls general. The failure of the first proposition seems to have been due chiefly to a desire to avoid the expense of maintaining as many consular officers as it was proposed to appoint. The resolution as passed did not prohibit the appointment of consuls, but left it with Congress to choose those officers in the future, as the need for them should arise. In the following

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January Congress appointed a consul and a vice-consul to reside at Canton.[1]

Neither the resolution that was defeated nor the one that passed in any way defined the powers and duties of consular officers. It is probable that Congress did not deem legislation on that subject to be necessary, because it expected to define such powers by treaties. In the above-mentioned treaties between the United States and France, the Netherlands, Sweden and Prussia, the section guaranteeing the mutual right of sending consuls provided that the functions of the consuls should "be regulated by a particular agreement." The first nation with which we made such a particular agreement was France; and it was in that convention, signed November 14, 1788, that the powers and duties of the consuls of the United States were first specifically formulated.

The negotiations which resulted in this convention began in 1779. A resolution of "the council of Massachusetts Bay," dated February 23, 1779, asked Congress to state the powers which might be exercised by foreign consuls in American ports. Congress referred this resolution to the marine committee; and on the 7th of June that committee recommended the appointment of a special committee "to adjust and settle with the minister plenipotentiary of France the powers and privileges of consuls in the ports of either nation." Two weeks later Gerard, the French minister, submitted a plan of a treaty and addressed a memorial to Congress, setting forth "how prejudicial the want of proper regulations for maintaining the immunity of the flag" was "to navigators, to French merchants, and even to the interests and to the honor of the French nation." Owing to the fact that before 1789 the legislative and administrative regulation of our foreign commerce was vested in the state governments, and that the states also

[1] "Resolved, that a consul be appointed to reside at Canton who shall not be entitled to receive any salary, fees or emoluments of office." (Journals of Congress, January 26, 1786.) On the following day Samuel Shaw was chosen for the place. The vice-consul elected was Thomas Randall of Pennsylvania. He was to serve in case of the death or absence of the consul, and he also was to receive no salary, fees or emoluments.

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exercised most of the judicial powers which now pertain to the federal government, foreign consuls in this country found difficulty in performing their functions and had controversies with the state authorities. This was one of the reasons why Gerard and Luzerne sought to induce Congress to enter into a consular convention with France. Another motive was the hope of securing a large part of the American trade which England had previously possessed.[1]

The memorial and suggestions of M. Gerard were referred to the special committee appointed by Congress June 7, but the matter made no further progress for two years. In July, 1781, Luzerne, who succeeded Gerard as French minister to the United States, placed before Congress the draft, which the court of Versailles had caused to be made, of "a convention relative to the establishment of consuls." Congress agreed on a scheme for a treaty January 25, 1782, and forwarded it at once to Franklin with instructions to "use his discretion as to the words or arrangements of the convention, confining himself to the matter thereof in all respects, except as to so much of the sixth article as relates to the erection of a chapel."[2] Franklin and Vergennes, after modifying the scheme adopted by Congress in several particulars, signed a convention July 29, 1784. The copy of the convention first sent to America miscarried and did not reach its destination. The second copy reached Congress in the summer of 1785.[3]

Congress was slow in acting upon this convention. The reason was in part "the want of an adequate representation [in Congress] for long intervals and the multiplicity of business which pressed upon them when that was not the case";[4] but delay arose also from opposition to the convention. The French minister urged ratification; and, had not the convention differed

[1] Luzerne to president of Congress, January 3, 1784. — Wharton, Diplomatic Correspondence, VI, 762. [2] Secret Journals of Congress.

[3] *Cf.* Jay to Jefferson, July 13, 1785. — Diplomatic Correspondence, 1783–89. In the meantime Congress had become dissatisfied with the draft it had agreed to in 1782, and had directed Franklin to delay signing until further instructions were sent. This order reached Paris too late to be acted upon.

[4] Jay to Jefferson, August 18, 1786. — Diplomatic Correspondence, 1783–89.

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materially from the scheme of 1782, Congress would probably have felt in duty bound to accept it without delay; but Jay, to whom, as secretary of foreign affairs, the document was referred for examination, submitted a report, July 4, 1786, in which he critically compared, section by section, the scheme of 1782 with the convention as signed, and called attention to several objectionable features of the latter. Jay considered the scheme faulty and the convention more so. The leading objection[1] urged against the convention was that it gave the consuls too great jurisdiction over the vessels from their respective countries — that it gave to French consuls "as complete jurisdiction over French vessels in our harbors as any of the king's officers could exercise over them in the harbors of France." In the tenth article was this provision:

> They [the consuls] may cause to be arrested every vessel carrying the flag of their respective nations; they may sequester them and even send them back respectively from the United States to France or from France to the United States. They may cause to be arrested, without difficulty, every captain, master, sailor or passenger of their said respective nations. They may cause to be arrested and detained in the country the sailors and deserters of their respective nations, or send them back or transport them out of the country.

To have given the consuls power to send vessels back, to arrest passengers, and to arrest and return sailors would have enabled consuls to prevent all emigration from the country which they represented. Both the scheme and the convention contained this provision.[2] Another objectionable feature of the draft as signed, involving a deviation from the original scheme, was the wording of article 14 so as to enable either nation to prevent its citizens from becoming naturalized citizens of the other nation.

Jay was opposed to any consular treaty. Neither he nor

[1] For the minor objections raised by Jay, consult his report. — Diplomatic Correspondence, 1783–89.

[2] Jay supposed, when he made his report, that the scheme did not contain this provision. The copy of the convention which he consulted in preparing his report was, however, inaccurate. He discovered later, October 9, 1786, that the scheme and convention were alike in this matter and that his criticism of the above provision argued against the scheme as well as against the convention.

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Jefferson thought the interests of the United States required such a treaty. Jay believed, however, that Congress, by adopting the scheme of 1782 and instructing our minister at Paris to negotiate a treaty containing its provisions, had pledged itself to agree to such a convention. Accordingly, Jay closed his report by recommending to Congress

> that instructions be sent to their minister at Versailles, to state their objections to the present form [of 1784] and to assure the king of the readiness of Congress to ratify a convention made agreeable to the scheme before mentioned [1782], provided an article be added to limit its duration to eight or ten years.

Upon authority of a resolution of Congress, Jay sent Jefferson such instructions in a communication dated October 27, 1786.

Jefferson, being opposed to both the scheme and the convention, chose not to inform the French ministry of the instructions he had received from Congress. Instead, he wrote to Congress January 9, 1787, requesting that he be given "powers in which there shall be no reference to the scheme." Congress, by resolution of July 27, gave Jefferson the powers asked for; but as the notice of the action of Congress was not forwarded until October 24, Jefferson did not obtain his instructions until December 19.[1] Only toward the end of April, 1788,[2] was the proposed treaty brought to the attention of Montmorin, who had succeeded Vergennes as minister for foreign affairs. The negotiations which followed were prolonged, but they resulted in a convention, signed November 14, 1788,[3] differing in form and content from both the scheme of 1782 and the convention of 1784.

In transmitting the convention of 1788 to Jay for ratification

[1] The delay being due to "the want of a safe and private conveyance."

[2] *Cf.* Jefferson to Jay, November 14, 1788, for reasons for the delay in beginning negotiations. — Diplomatic Correspondence, 1783–89.

[3] The convention defined in detail the privileges, powers and duties usually associated with the consular office. These need not be enumerated here, as they embodied merely the main consular regulations and powers then recognized in international law. The treaty is printed in the Laws of the United States, II, 378–398, and in the Diplomatic Correspondence, 1783–89. The scheme of 1782 and the convention signed in 1784 may be found in the Secret Journals of Congress and in the Diplomatic Correspondence, 1783–89.

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by Congress, Jefferson concisely stated as follows the principal changes that had been made in the draft of 1784:

The clauses of the convention of 1784, clothing consuls with the privileges of the law of nations, are struck out and they are expressly subjected, in their persons and property, to the laws of the land;

That giving the right of sanctuary to their houses is reduced to a protection of their chancery room and its papers;

Their coercive powers over passengers are taken away, and over those whom they might have termed deserters of their nation are restrained to deserted seamen only.

The clause allowing them to arrest and send back vessels is struck out; and, instead of it, they are allowed to exercise a police over the ships of their nation generally.

So is that which declared the indelibility of the character of subject, and the explanation and intention of the eleventh article the treaty of amity.[1]

The innovations in the laws of evidence are done away,

And the convention is limited to twelve years duration.

One interesting provision of the scheme of 1782 appeared neither in the draft of 1784 nor in that of 1788. Article III of the scheme read: "Consuls or vice-consuls shall be subjects or citizens of the power appointing them and interdicted from all traffic or commerce for their own or others' benefit." Franklin said: "That article was omitted, being thought unnecessary to be stipulated, since either party would always have the power of imposing such restraints on its own officers whenever it should see fit."[2] Jay, in his report of July 4,

[1] A part of Article XII of the treaty of amity and commerce with France in 1778 gave each country the right to enact such laws "against emigrations" as should "seem proper." Article XIV of the convention of 1784 contained the clause: "The subjects of his most Christian majesty and those of the United States . . . shall not lose, *for any cause whatever*, in the respective domains and States, the quality of subjects of the country of which they originally were." Jay thought these provisions would enable the king of France, not only to prevent the emigration of Frenchmen to the United States, but would also prevent legal naturalization of Frenchmen as citizens of this country. The United States was of course desirous of immigration. Jay's criticism seems to have been valid, and it is surprising that Franklin should have agreed to a clause capable of such interpretation as Jay showed could be given Article XIV of the convention of 1784. *Cf.* Jay's report on the convention of 1784.— Diplomatic Correspondence, 1783–89.

[2] Letter of Franklin to the president of Congress, February 8, 1785.

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1786, spoke of the omission of this article as "not in itself a very important deviation from the scheme." When Jefferson forwarded the convention of 1788 to Congress he discussed at some length the question whether or not only American citizens should be appointed to consular positions. He said that the resolution of Congress passed in 1784 was "intended as a general answer to the swarm of foreign pretenders." He favored restricting the office of consul to native-born American citizens. The minor consular positions, vice-consul and agent, he thought, might "be given to the best subject in the port, whether alien or citizen." Had the provisions of that article of the scheme of 1782 been adhered to in our subsequent legislation concerning the consular service, one of the worst defects in that service would have been eliminated. It was, however, long after the adoption of the Constitution before we ceased appointing foreigners as consuls and vice-consuls. And, as we have not yet prohibited all consuls and vice-consuls from engaging in business, it is still possible, not only for consular agents, but also for higher officers in the service to use their positions for business purposes.

The convention signed by Jefferson and Montmorin in 1788 was ratified by the United States after the Constitution had gone into effect. President Washington referred the document to the Senate; and that body, on July 22, 1789, passed a resolution asking "the secretary of foreign affairs under the former Congress" for his opinion as to how far the faith of the United States was engaged, "either by former agreed stipulations or negotiations entered into by our minister at the court of Versailles, to ratify in its present sense or form the convention now referred to the Senate." Jay made a report on the 25th, in which he gave a short history of the acts of Congress and of the negotiations at Versailles in regard to the convention, and closed his report by saying:

> As the convention in question is free from several objections to which the one of 1784 was liable, and is in every respect preferable to it, and as it contains a clause limiting its duration to twelve years,

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it seems to follow as a necessary consequence that the United States ought to ratify it.[1]

Four days later the Senate approved it unanimously.

The Constitution vested in the President and Senate the power of appointing ambassadors, other public ministers and consuls. Congress gave vitality to this clause by "an act providing the means of intercourse between the United States and foreign nations," approved July 1, 1790. By that act the President was

> authorized to draw from the treasury of the United States a sum not exceeding forty thousand dollars annually, to be paid out of the moneys arising from the duties on imposts and tonnage, for the support of such persons as he shall commission to serve the United States in foreign ports and for the expense incident to the business in which they may be employed.[2]

A part of the money thus placed at the disposal of the President might have been used in paying the salaries of consuls, but none was so applied. The consular officers derived their remuneration from fees and from the profits of the business in which they were permitted to engage. During the first three years of his administration Washington appointed seventeen consuls and five vice-consuls.[3]

Washington recognized the necessity of legislation for the further organization of the consular service. In his brief address to Congress at the opening of its third session, December 8, 1790, he said:

> The patronage of our commerce, of our merchants and seamen, has called for the appointment of consuls in foreign countries. It seems expedient to regulate by law the exercise of that jurisdiction, and those functions which are permitted them, either by express convention or by a friendly indulgence in the places of their residence.

The "act concerning consuls and vice-consuls," passed April

[1] *Cf.* Diplomatic Correspondence, 1783–89.

[2] Laws of United States, I, 128. The act is a brief one of two sections. Section 1 fixed the maximum salary payable to a minister or *chargé des affaires;* section 2 limits the act to two years' duration.

[3] Schuyler, American Diplomacy, p. 45.

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14, 1792 — the first law of Congress to define the powers and privileges of consular officers — was enacted, as the title of the statute declares,

> for carrying into full effect the convention between the king of the French and the United States of America, entered into for the purpose of defining and establishing the functions and privileges of their respective consuls and vice-consuls.

As the treaty of 1788 had embodied the recognized principles of international law regarding consuls, Congress simply summarized the more important provisions of the treaty and added a few other clauses, the most important one being a section to regulate fees. Thus the service which Congress definitely established by the act of 1792 was a continuation of that which had grown up between 1780 and 1789, which had been tacitly accepted by Congress in the act of July 1, 1790, and by Washington in making consular appointments during the first three years of his administration.

The consular service as it developed prior to 1792 contained the chief errors of organization that have obtained in the service during its entire subsequent history. In the legislation of the past hundred years we have modified the organization in detail, but have hardly touched the fundamental causes of the inherent errors and evils. The principal reforms have been accomplished, not by legislation, but by executive orders — such as that of September 20, 1895, providing for the appointment of certain minor officials according to merit. The presidents, secretaries of state and higher-minded legislators have thus far urged Congress in vain to rise above the demands of patronage and to free our consular system from the vitiating influences of party spoils. Until this has been done, until admission to the consular office and continuance or promotion in the service shall be made to depend entirely upon fitness, it will be impossible for the United States to secure the benefits of as efficient consular services as our commercial rivals in Europe have built up by adhering to the merit system.

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THE AMERICAN REVOLUTION.[1]

FOR ten years prior to the outbreak of the war of the American Revolution a battle of words — a conflict of ideas — went on, both in England and in America, between the supporters and the opponents of the colonial cause. The controversy was maintained over the question what in reality were the constitutional relations existing between Great Britain and her American dependencies, and what, in view of those relations, was the policy proper to be followed at the crisis. After the opening of the war and the Declaration of Independence the debate over constitutional questions closed, and the literature which proceeded from the Americans assumed mainly the forms of satire, of exhortations in prose and verse to energy and steadfastness in the conflict, of narratives of experience in field, camp and prison, of efforts at a reflective or historical reproduction of the events of the struggle. But the subject-matter of the literature, both before and after 1776, was mainly political and historical: it embodied the contemporary record of a great conflict, and contained the only permanent and abiding expression of the emotions to which that conflict gave rise. What was true of the American Revolution must be true in the case of any other similar movement. The subject-matter, then, of Professor Tyler's work takes it out of the category of mere histories of literature, and gives to it a peculiar value as a contribution to the political history of the period of which it treats. The criticism of style, the exposition of the æsthetic side of the literary product of those times, has occupied a secondary place in the mind and purpose of the author. His attention has been chiefly directed to the burden of thought which the writers of the time were seeking to express, and to the ascertainment of their position amid the stirring events of the period.

[1] The Literary History of the American Revolution, 1763–83. By Moses Coit Tyler. New York, G. P. Putnam's Sons, 1897.—Two vols., pp. 521, 527.

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And yet Professor Tyler has not produced what would be distinctively called a history of the political ideas of the American Revolution. By excluding from treatment the correspondence and the state papers of the period, he has omitted much that would have been of value for a purpose such as that. He has also included much that would have little or no significance for the historian of purely political literature and ideas. His effort apparently has been to survey the entire product of the individual minds of that period, so far as it assumed definite literary form or was in bulk such that it could be conveniently treated in a two-volume work. By pursuing this middle course, the writer has preserved his consistency and individuality as an historian of literature, though the message which his authors uttered was chiefly political. The work is thus unique in plan, as well as original in material, and occupies within its sphere a position of unapproached excellence.

A feature of this work which is conspicuous alike for its novelty and its value is the space which is devoted to the arguments of the loyalists and the effort which is made to state their position fairly and fully, both as it was before and as it was after the beginning of the war. Nothing approximating in excellence to Professor Tyler's treatment has hitherto appeared in American historical literature. His work may be regarded as heralding the approach of the time when a more just and scientific view of the Revolution will be possible than has ever yet been expressed in historical writing. In this book justice may be said to have been done to the ideas of the loyalists, so far as it is possible to do it by a discussion of literature alone. As fair and dispassionate treatment is given to the writings of Galloway, Leonard, Seabury, Hutchinson, Stansbury and Odell as to those of Otis, the Adamses, Paine or Freneau. In addition, a chapter is devoted to a discussion of the strength and composition of the party and of the views which it held concerning both virtual representation in Parliament and the extent of the lawful power which that body possessed over the colonies.

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It is asserted and proved that the loyalists saw the need of a better definition of the constitutional relations existing between the colonies and the mother country and demanded reforms; but that they were willing to seek these only through peaceful measures, never by revolt and separation. The analogy between the attitude of the patriot party and that of the nullifiers in later American history is seen and expressed. In both cases it was extreme sensitiveness, the anticipation rather than the actual experience of evils, which led to threats and measures of revolt. The fact of the case is that the American leaders, as soon as they awoke to a realizing sense of the power which lay at the centre of the old constitution of the British Empire, demanded a new constitution, one in which Parliament by solemn agreement and enactment should set a definite limit to the exercise of its powers. But in their argument and in their acts they ignored the fact that Parliament had never set any such limit, and they conducted themselves as if they were already living under the new constitution which they desired. Hence arose the revolutionary character of their argument, as it appears in the pages of these volumes and in the originals from which the extracts here presented are taken. For that reason, as others have remarked, it does not fit the case : it was meant for a constitution other than the one which actually existed. The loyalists were the party who discussed the issues on the basis of the existing constitution, and were therefore the constitutionalists of the time. It would, therefore, seem necessarily to follow that an understanding of what the old constitution was, whether good or bad, and of the attitude which the loyalists held toward it and toward the demands of their opponents, would be an absolute prerequisite for an historical treatment of the colonial revolt. One of the great merits of Professor Tyler's work is the fact that to some extent it shows how this result may be attained. As the historian of literature deals with opinions rather than with the decisive play of social and political forces — with the utterances of individuals, and these often isolated, rather than with the declarations and acts of responsible bodies, he cannot fairly be expected to fur-

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nish the means of reaching a definitive judgment concerning any such movement. But so far as the materials necessary to the formation of such a judgment lay within the scope of his plan Professor Tyler has made effective use of them.

To his treatment of the Declaration of Independence, however, some exception may perhaps be taken, and that on the ground of its inconsistency with the trend of opinion revealed elsewhere in his work. He admits in volume one, page 307, the validity of the doctrine of virtual representation. He says that "the historic meaning of the word representation . . . seemed fairly to justify the loyalist contention that the several organized British communities in America, as an integral part of the British Empire, were to all intents and purposes represented in the British Parliament. . . ." When speaking of the taxation of the colonies by Parliament (I, 310), he draws from the doctrine of virtual representation the logical conclusion. "It was then a question," says he, "of British constitutional law. Upon that question, which of the two parties was in the right? Is it now possible to doubt that it was the Tories?" Further, when treating of the third volume of Hutchinson's *History of Massachusetts*, he says (II, 407): "It is much to his praise to say that, throughout this third volume, the prevailing tone is calm, moderate, just, with only occasional efforts at pleading his own cause, with only occasional flickerings of personal or political animosity." It is believed that these quotations fairly represent Professor Tyler's views concerning the points upon which they touch.

But when he comes to discuss the Declaration of Independence, he pursues a line of thought which it is difficult to harmonize with the statements just quoted. Though he uses language which is measured and cautious, though he qualifies and softens the meaning of terms, yet he clearly holds that the two central charges urged against the British government in the Declaration were true (I, 510, *et seq.*). The first of these charges was that the various acts of Parliament of which the colonists complained were in design tyrannical, because they revealed a somewhat systematic plan to take

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away a part of the property of the American people without their consent. But, if the doctrine of virtual representation was true, how can it be said that any part of their property was to be taken without their consent? According to that view, their consent was presupposed, and that was the end of it. As there is no proof that Parliament intended to take oppressively large amounts, its policy could not, on the basis of that theory, be regarded as tyrannical. Had Professor Tyler insisted that, when applied to the colonies, the theory of virtual representation broke down, Jefferson's conclusion might have been approved with a greater appearance of consistency. But the two positions which he has chosen it seems impossible for him to maintain.

The second charge contained in the Declaration was that George III, because he was mainly responsible for the policy of taxing the colonies, was a tyrant. This seems to win more hearty approval from the author than does the previous count in the indictment. But, instead of adducing positive evidence on the subject, he contents himself with quoting the opinions of three English historians, two of whom were of well-known Liberal sympathies. With all due respect for authority, it must be said that the judgments of these historians on the American question cannot be accepted as conclusive, for a reason which will be stated later in this paper. Moreover, if Parliament intended only a moderate exercise of its constitutional powers in taxing the colonies and regulating their trade, the same thing must have been true of the king. Parliament and king were acting together and, at the outset at least, kept properly within their constitutional powers.

When the controversy with the colonies began, George III. in British politics was asserting the latent power of the prerogative against certain groups of Whig politicians who had controlled affairs for nearly half a century. It was the last effort of the kingship to recover its ancient place in the constitution, and its patronage was used unscrupulously and to the fullest extent to break down a long-established majority in Parliament. But for twenty years Walpole, as premier, had

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controlled king and Parliament, and had maintained a system of personal rule. The king imitated this policy, as he had to do in order to attain the end at which he aimed, and as he might do consistently with law and established custom. The end which the king sought was to control ministry and Parliament. That, owing to the hereditary nature of the kingly office, this tended to unsettle relations and to destroy the balance of power within the constitution, is undoubted. It was a step backward rather than forward. But, because the policy of procuring a revenue by Parliamentary taxation of the colonies was adopted while the king was engaged in his efforts to secure control of Parliament, it is argued that the policy was the result of those efforts and of their success — that the two lines of action were related as cause and effect. This view underlies to an extent the indictments of the king in the Declaration of Independence. Otherwise it would have been impossible to regard the king as in this matter especially tyrannical. But it is certain that such causal connection between the two lines of policy as has been affirmed has never been demonstrated. To be sure, in its later stages, when the colonial policy had occasioned resistance and that had developed into war, the king proved to be more stubborn than some of the ministers in his adherence to the course which had been adopted. It is true that the war finally became the king's war, but from that it does not follow that the inception of the policy, or its development till the beginning of hostilities, was due more to the king than to responsible leaders in Parliament. Grenville, Townshend, Bedford, Halifax were Whigs, or had received their official training under Whig ministries. They were the men who initiated the colonial policy of this reign. The Sugar Act and the Stamp Act were to their minds the necessary means of procuring a revenue with which to provide salaries for the imperial officials in the colonies and to establish a military force there. The creation within the colonies of executives which, so far as possible, should be independent of the dictation of the assemblies; the development of machinery there which should be adequate to the enforcement

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of the acts of trade; the improvement of the system of defense by the establishment within the colonies of some 20,000 regular troops — these were the objects which they sought to attain, and that by means of taxation. It was a policy with which in outline they must have been familiar long before the accession of George III.

The two important acts which it was thought would furnish the necessary revenue were passed entirely without opposition. Whigs and Tories alike supported them. They were not even party measures. The king certainly acted in harmony with the will of the nation when he approved these acts and attempted to execute them. The nation had not been cajoled or coerced into the adoption of this policy. It then seemed natural and proper to all, save here and there an individual. In pursuance of the same object, though resistance in the colonies had revealed the difficulty of attaining it, the Townshend Acts were passed. In the Commons a numerous minority voted against these, but they were passed without difficulty and without the exertion of special influence on the part of the king. The decisive step was now taken. All the subsequent acts of both Parliament and executive were provoked by resistance, and must be judged with immediate reference to that fact. It is certain that, during the years of coercion preceding the war, decisive, if not overwhelming, majorities in Parliament supported the policy of the government, and that the politically active part of the nation, as then constituted, was in harmony with Parliament. The aristocracy, gentry and merchants — and these were the politically active nation — would probably have supported a more vigorous policy than was adopted. The explanation of its failure is to be found in the incapacity of the leaders, rather than in the temper of the classes named. If this view of the case be true, it is difficult to see why the king, during the early and middle periods of the American controversy, was not acting within his constitutional sphere as a constituent part of the British legislature and the imperial executive. In this matter he was not contending against Parliament or seeking to coerce its action.

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On this question he and Parliament were in agreement, and there was no occasion for special exertion of royal influence. If the policy was tyrannical, Parliament must bear at least an equal share of the blame: the king should not be singled out and made the special object of attack. The colonies were, in fact, resisting a united king, lords and commons.

But what bearing does this have upon the argument which the colonists at the time drew from Magna Carta, the Petition of Right and the Bill of Rights — an argument of which Professor Tyler, like many other modern writers, makes use? It is said that the colonists might properly appropriate to themselves and use for their special purpose the guaranties contained in those documents. Again and again this claim was made while the controversy was in progress: the changes were rung upon it in every possible form. But the fact was overlooked or obscured that these documents contained guaranties on behalf of the nation against the executive, and not against Parliament. Against the king, when acting as a component of Parliament or when taking proper steps for the execution of its will, they were inoperative. They were the outgrowth of a struggle between the nation and the crown, not of one between the nation and Parliament. They were guaranties of the independence of Parliament as against the crown; and thus they might have been utilized, had George III, in his efforts to reinvigorate the prerogative, come distinctly into conflict with Parliament and the nation. But for the purposes of the colonists — except to arouse popular prejudice — they were useless, because inapplicable. If one accepts the doctrine of virtual representation, this conclusion would seem to be unavoidable. But it also follows directly from the fact that, in the English system since 1689, there is no higher guaranty of rights or expression of power than an act of Parliament. Beyond that or out of reach of it one cannot go. No charter or other expression of the will of the executive can stand against it. Therefore, the fact of the case is that, except in the domain of private rights, — and that only as the result of ancient and well-estab-

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lished precedents, — the colonists had no effective legal guaranties against Parliament.

Parliament, then, and not the king, was to them the real source of danger. It was only when the two were actively coöperating that the colonists had serious reason for fearing the executive authority. For a hundred years they had been living under the government of the British executive, with only occasional, and never genuinely oppressive, interference of Parliament. After 1760 they began to feel the power which was latent in Parliament as the seat of sovereignty within the British Empire, and they sought in various directions for protection against it. They tried to find such security in the charters, of which a few still existed, but these were speedily proved to be insufficient. Very many affirmed that the authority of Parliament was limited — that within certain spheres it could not legislate concerning affairs outside the realm; but there was no agreement as to where to draw the line, and most of those who adopted this course of argument ended by denying *in toto* the legislative authority of Parliament over the colonies. Many, also, sought refuge in the theory of natural rights. But all these pleas, when viewed from the legal and historical standpoint, are seen to have been unavailing. The colonists stood face to face with a power, possessed of authority over them that was without legal limit, which had now resolved, if possible, to procure from them a revenue. Situated as they were, on a remote continent, under new social and political conditions which were very imperfectly understood, even by the best informed in England, it is clear that there was an element of peril for the colonists in the existing constitutional relations. The danger was inherent in the system itself, whatever might be the character of the personalities who were controlling and directing it. So long as Parliament had not by solemn act limited its power over the colonies, their inhabitants could not feel sure of the permanence of their institutions. Their only sufficient refuge, then, short of successfully achieved independence, was in the action of Parliament itself. Viewed in this light, the American

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controversy is seen to have resulted from an effort to find a tolerable solution for a difficult problem in government.

It has been intimated by some that the adoption of the policy by which the full extent of Parliament's authority over the colonies was revealed was an innovation. But in reality all the elements of that policy will be found to have been latent in the system, at least since 1689. It had always been held that the colonies were bound by any act of Parliament in which they were named or which might properly apply to them. Hence the passage of a group of acts like the laws of trade, carried with it the implication that similar laws might be passed binding the colonies in other departments of social or political activity. The existence of the laws of trade also meant that all the resources of the government might be used for their enforcement, and that, if it were thought necessary, Parliament might be resorted to for additional legislation. As a matter of fact, in 1694, on motion of the committee of trade, an order in council was sent to the governors of Maryland and Virginia to cause one or more small armed vessels to cruise along the middle Atlantic coast with power to examine all ships and their clearances on the collectors' books, so as to discover forged certificates. The measure was executed, but it did not stop the direct trade with Scotland and Ireland against which it was directed. To some extent before the revolution of 1689, and regularly thereafter till the colonial revolt, armed vessels were stationed at important points along the American coast for the purpose of capturing pirates, privateers and illegal traders. The law of 1696, by a natural extension of the functions of the admiralty courts in the colonies, provided that violations of the acts of trade should be tried by them; and special judges and other officers were appointed for the purpose. The language of the early charters implied the right of the home government to tax the colonists. The act of trade of 1672 provided for the levy of export duties in the colonies in a certain contingency. The Molasses Act of 1733 provided for the collection of import duties in the northern colonies on sugar, molasses and spirits

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brought from foreign plantations; and some revenue was collected under the law, notwithstanding the high rates of duty. The measures thus referred to furnished adequate precedents for the Sugar Act of 1764 and for the order that the vessels of the navy should aid in the work of suppressing contraband trade. The Sugar Act did not mean the adoption of a new policy or the assertion of new claims: it meant, rather, an extension of the old policy, while Parliament had certainly never abandoned its right to secure a revenue from the colonies. Viewed from the standpoint of sovereign authority, of what consequence was it whether an act provided for protection with incidental revenue or revenue with incidental protection?

But, it is argued, when the scope of the imperial revenue system was extended so as to include a stamp duty, and the admiralty courts were given jurisdiction over violations of that law, a radical departure from earlier practice was made. So far as resort to the admiralty courts is concerned, it should be said that they were the only courts in the colonies before which such cases could be brought with the slightest assurance that the cause of the government would be fairly considered. The choice, then, was between the trial of the cases before these courts or their removal to England for trial. Moreover, the laws for the collection of stamp duties in Great Britain provided that violations of the acts should be tried before two justices without a jury. But a larger question here confronts us. What is the historical explanation of the resort to the stamp duty? Was it, as is usually represented, an act of wanton and arbitrary encroachment; or was it the result of existing conditions, and hence susceptible of a rational explanation? Upon the answer made to this question will depend, in the last analysis, the attitude which the historian shall hold toward the charge that the British government was at the time guilty of intentional tyranny toward the colonies.

It is true that the responsible heads of the government which passed the Stamp Act emphatically disclaimed any tyrannical purpose, and gave the colonists ample notice of their intention

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to pass the measure and opportunity to suggest other forms of taxation. But undue weight need not be given to these immediate preliminaries. Was there anything in the past history of the relations between Great Britain and her colonies which had convinced those immediately connected with colonial administration that a revenue which should be independent of grant by the assemblies in America was necessary? There was much of that nature, and it will be revealed if the history of the efforts of Great Britain to administer colonial affairs during the period from 1690 to 1760 is ever written. To a large extent the materials for such a history still exist only in manuscript. Some of them, though in fragmentary form, have been printed in the volumes of *Records* issued by a few of the American commonwealths; but these afford only a partial view of the subject. The historian of the American colonies usually treats with considerable fulness the period of settlement; but when he reaches 1690 the current of his narrative is deflected to Canadian affairs, and he devotes himself almost exclusively to the external history of the intercolonial wars. The drudgery which is involved in the reading of manuscript and the study of printed colonial records he avoids, and thus leaves the internal development of the colonies and their relations with England for seventy years almost a total blank. He therefore approaches the consideration of the Stamp Act and of later legislation without preparation, as if nothing had occurred since Andros was driven from Boston.

In reality very much had occurred in the interval, and that of a nature to aid materially in the explanation of the policy adopted by the British government about 1760. In their efforts to administer colonial affairs, imperial officials, whether resident in England or in America, had been contending against many obstacles. These they had encountered when attempting to enforce the acts of trade, to procure money and men with reasonable promptness for defense, to secure permanent and adequate salaries, and in other lines of effort. The struggle which they carried on was incessant; and its history may be read in the dispatches which they sent home

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and in the reports and correspondence of the administrative boards which were concerned with colonial affairs. The complaints came not simply from customs officials, like Randolph and Quary, but from practically all the governors, the best as well as the worst. The obstacles against which they contended were partly physical, partly social and political. The remoteness of the colonies from England, the lack of any easy means of communication within and between the colonies, the sparseness and poverty of their population, created a condition of isolation and inertia which it was very difficult in any degree to overcome. That was accompanied by a spirit of independence — individual, local and colonial — which naturally repelled restraint. Even among the first generation of settlers, there were very few who had had any training in English law or administration or who sympathized to any extent with its spirit; colonists of later generations knew little of it except as an irksome restraint, and were already developing traditions of their own. In New England the spirit of Puritan independence survived in almost its original strength. That feeling was shared by dissenters of the Puritan type wherever they appeared in the colonies. The corporate colony, which in its organization and policy was practically an independent commonwealth, survived in Connecticut and Rhode Island, and formed the substratum of the governmental system of Massachusetts under the second charter. Maryland and Pennsylvania continued as proprietary provinces throughout the entire period. In the corporate colonies and proprietary provinces, as a rule, the only officials appointed by the crown and directly responsible for the maintenance of imperial interests were those connected with the admiralty courts and with the customs administration. All the rest were officials of the special jurisdiction, and, as such, pledged to uphold its interests, often to the ignoring of those of the empire. This was emphatically true of the officials in the corporate colonies, and even Pennsylvania is not free from the charge. The home government had good reason to regard the special jurisdictions, or "proprieties," as they were called, as obstacles in the way of the

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imperial policy, and to desire their abolition. In the growth of large states feudal dependencies have usually been so regarded, and in the progress toward national or imperial unity they have disappeared. The advantage which in this case would come to the imperial cause by the substitution of the royal province for the special jurisdiction would consist in the addition of a royal governor, a council, a surveyor general, a receiver general and an attorney general, to the customs and admiralty officials who, under the king's patents, were already serving in the colony. In each province a complete royal executive system would thus be created, upon which the king could immediately depend for the execution of his will. It is easy, then, to see why, under the pressure of colonial administration, the special jurisdictions tended steadily to disappear and their places to be taken by royal provinces. In the early years of the eighteenth century the plan of recalling all charters by act of Parliament was seriously considered, and that policy had the uninterrupted support of the Board of Trade and of many other officials throughout the century.

There was, however, one obstacle in the way of smooth and unhindered administration which the substitution of royal provinces for special jurisdictions could not remove, and that was the assemblies — the representative element in the provincial legislatures. Through the power which they early obtained over the purse, they were able either to fix the amount of appropriation or to prevent any whatever from being made. Through them the genuine economic weakness of the colonies, their special and real interests, as well as their prejudices, found expression. The existence of assemblies, however necessary they were to the preservation of colonial interests and independence, however naturally and inevitably they found a place in the English system, greatly complicated the problem of imperial administration. The assemblies opposed, hindered, harassed the executives in very many ways and on occasions almost unnumbered. While they were, no doubt, often justified in this attitude, on many occasions their opposition was factious and unreasonable in the extreme. They often pre-

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vented, or hindered till they were useless, measures which were undoubtedly wise and advantageous; sometimes, also, they checked corruption and extravagance. Perhaps as often as otherwise the views of the assemblies were narrow, prejudiced and unstatesmanlike. They found it very difficult to think or to act continentally, and the class of men who first sought to awaken broader sympathies among them were the imperial officials. But, in spite of continuous efforts of this kind, the assemblies, even within the royal provinces, continued slowly to encroach upon the executive, till it became clear that they were the strongest element in the system.

Especially serious, under the circumstances, were the obstacles in the way of successful military administration. This involved questions of greater importance, both to the colonists and to Great Britain, than did the commercial system; for, above all things, it was desirable that the colonies should not become subject to the great rival of England. If one would grasp the significance of the colonial wars in this connection, he should study them from the point of view of imperial administration. In the first place, the mother country had been compelled to depend for the aid which she received from the colonies, whether in men or in money, on requisitions. This was, as it always must be, a slow and unsatisfactory method of procuring help: it often failed wholly or in part of its object. When the safety of a colony was not immediately imperilled or its interests involved, vexatious delays usually ensued. Though the resources of many of the colonies were at times heavily taxed for purposes of defense, and though Great Britain sometimes failed to perform the part which she had promised, the system of requisitions was too faulty to be tolerated longer than was necessary. Viewing the matter from the imperial standpoint, the proposal to secure a partial relief from it through the exercise of the power of Parliament would seem to be worthy of fair consideration, if not of approval. The experience we had of the system under the Articles of Confederation would seem at least to make that much clear.

Furthermore, the troops of the colonies, after making proper

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allowance for their energy and bravery, for their endurance and their skill as woodsmen, were only militia — levied for short periods, imperfectly trained, officered, armed and provisioned, not fitted for long and distant campaigns or to cope with a regular and veteràn soldiery. From the very nature of the case they could never fully emerge from the condition of raw recruits and become obedient by habit. From the correspondence of Washington we obtain abundant information concerning the nature of the Virginia levies, of their discipline and of the commissary department, during the last intercolonial war. From the same source we learn still more in detail the character of the militia during the Revolution and of the provision made for their support. The competent British governors and commanders during the colonial wars held the same opinion concerning these troops, though none of them expressed himself at such length or so forcibly as did the American leader. As Washington during the war for independence desired continental levies, enlistment for long terms of service and a commissary department properly organized and supported, so British officials saw the necessity for the same thing, if they were to cope longer with the French; and they also saw that the colonies could not be depended on to provide these. This was a fair inference from past experience, and it furnished one of the strongest possible arguments for the establishment of a standing force in the colonies. In order fully to appreciate the motives which could induce the British government to resort to imperial taxation, one should study the subject of defense as a problem in administration, and thus bring the history of the intercolonial wars into its proper connection with that of colonial government. He will not proceed far before he will begin to see the immense difficulties with which Great Britain had to cope in its prolonged struggle with France. The weight of the administrative reasons for the maintenance of regular troops in the colonies will become apparent. It will be seen that this was a measure which, under the circumstances, might naturally recommend itself to any well-ordered government. As the probability was very strong that France, as soon as she

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was able, would attempt to recover all or a part of what she had lost, it was necessary that careful attention should still be devoted to the subject of defense, and that the years of peace following 1763 should be utilized for inaugurating reform.

Believing that the facts and arguments which we have now hastily reviewed are of such a nature as to have justified, in the minds of men who were acquainted with them, an attempt so to reform the system of colonial adminstration as to make it more effective for imperial purposes, we now observe that about 1760 the conditions were ripe for such an effort. During the Walpole era the officials in the colonies and many of those at home had from time to time poured their complaints into the ears of the government; but they had met with little response. Walpole was a "Little England" man, and allowed affairs in the dependencies, so far as possible, to take their own course. But during the last intercolonial war there came a reaction. The successes of that conflict caused and were accompanied by a rapid growth of imperialist sentiment in Great Britain. Naturally this was felt first and most strongly in the offices where the work of colonial administration was carried on. The officials at last saw an opportunity for the realization of their ideal — the establishment of a more perfect control over the colonies, in order that imperial interests, particularly in war, trade and finance, might be better guarded, and that the administration might be systematized. Opposition to this had never been expressed by the nation, and now the responsible leaders of the ministries were men who had been trained in the administrative offices and who were therefore committed to the policy. By the triumphs of the last war the foundations of a maritime empire seemed to have been permanently laid; and a corresponding awakening of interest in the navy, the colonies, commerce and defense was felt throughout the nation. During the war there had been greater activity in colonial administration than at any time since the reign of William III. The enthusiasm aroused by the victories of Wolfe and Clive was at its height when George III came to the throne, and he could hardly fail to sympathize with the imperialist ten-

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dencies of the time. With king, ministry and nation under the influence of this sentiment, it would have been strange if some effort had not been made to strengthen the bonds which united the dependencies to the mother country. As there was no thought of changing the nature of the colonial system, and as the official mind never contemplated the possibility of serious opposition, the procuring of a revenue by Parliamentary taxation was necessarily regarded as the first step to be taken, after which the other reforms could be carried into execution without serious hindrance from the assemblies. Professor Tyler himself admits (I, 313) that clear-headed and honest-minded Americans might at the time have held the opinion, as they did, that the British king and Parliament could be trusted to carry through this policy without imperilling the essential political privileges of the colonists.

If now we return to the Declaration of Independence, we find that it wholly ignores the imperialist point of view, and that in it no attempt is made to account rationally or historically for the conduct of the British government. By this I mean that the events and causes which probably led to the course which the government adopted are not referred to at all. Instead, a certain number of the acts of that government are taken out of their historic setting, are charged with being usurpations and are explained on the hypothesis of a design to place the colonists under an absolute despotism. The history of the reign since its beginning is said to reveal a settled purpose to establish "an absolute tyranny over these states." The articles in this indictment are taken largely from the history of Massachusetts since 1767. It is not stated that the most offensive acts of the British government, thus referred to, formed no part of its original intent or policy, but were occasioned by the resistance and disorder which had developed in that and other colonies. Many of the acts referred to would have been perfectly constitutional in peaceful times, and some of them the imperial government was constantly performing. But in the Declaration they are all classed together as tyrannical and despotic. Hutchinson's third volume, however, shows that

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in the main they are capable of a different explanation; and if the account which it contains of the controversy in Massachusetts approximates to the truth — as Professor Tyler intimates, and as the original authorities prove — it will be difficult to substantiate the charges made in the Declaration. The account given of those events by Hutchinson, and the view concerning them which one must form from a dispassionate study of the contemporary documents, cannot be harmonized with the theory of their origin which is given in the Declaration. If the one be true, the other must be essentially false. But the evidence of the tyranny of the British government must be found, if found at all, in its treatment of Massachusetts between 1767 and the beginning of the war. Moreover, he who seeks for it must do so with a full knowledge of the rights of Parliament, of the objects which the British government had been seeking in and through the colonies for generations and of the rights of the executive in the royal province. The problem in Massachusetts, as elsewhere, must be viewed not alone from the colonial, but as well from the imperial standpoint, and especially with an understanding of what the old British colonial system really was. That will not be possible until the early eighteenth century shall be studied much more thoroughly than it ever has been. Equal attention and care should be bestowed on the internal development of the colonies, on their institutions and their political conflicts, particularly on the social and political tendencies within them toward independence. It will then be seen that our early history had an imperial or British side, as well as a colonial or American side—that for two centuries the course we took was the resultant of forces coming from both these directions. But by far the strongest forces to which our ancestors were subjected were those of the New World. The consideration of these will lead the student to give due weight to colonial interests and demands; but, if he is loyal to truth, it must be in a spirit very different from the fervid radicalism of Jefferson.

HERBERT L. OSGOOD.

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THE ADOPTION OF GOLD MONOMETALLISM BY JAPAN.

WHETHER the recent decline in the gold price of silver is due to the fall of silver or to the rise of gold is a question on which economists and financiers seem to differ widely; but the answer is simple. If we employ the law of demand and supply as the test, the ever-increasing supply coupled with the constantly decreasing demand indicates that the responsibility must be borne by the white metal.

Some contend that, as the fall of general prices in gold-standard countries is greater than the rise of prices in silver-using nations, it is the gold that has appreciated or, at the least, that the fault lies more with the yellow metal. Such an argument overlooks the fact that the prices of commodities constantly vary according to the state of the market, the means of transportation, the methods of production, *etc.* Unless it can be proved that prices are otherwise stable, they cannot be used to test the fluctuations in the values of the precious metals. Moreover, the fall of prices in gold-standard countries, especially in England, seems to be the natural result of increased and improved production, as well as of keener foreign competition. On the other hand, silver-standard statistics are usually drawn from Japan, China and Mexico; and in Japan prices have risen, as will be described later on, beyond the rate of the fall of silver, while in Mexico prices have actually fallen,[1] to the disappointment of those who want to prove the steadiness of silver prices. The only satisfactory case for such advocates is that of China, where, according to the calculations of an

[1] As illustrated by the following table:

	Maize.		*Beans.*	
	HIGHEST.	LOWEST.	HIGHEST.	LOWEST.
Dec., 1891	$7.75 (average)		$22.00	$12.00
Dec., 1893	$4.75	$4.50	12.00	10.00

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official in the Chinese customs, we find the following figures of average prices (in *taels*):

	1873	1892
Goods produced and consumed in China	81.56	74.27
Goods produced in, but exported from, China	375.06	381.21

But it must be remembered that in China reliable statistics are wanting; and, even granting that they could be obtained, the fact that customary price still holds sway there would deprive them of real significance.

Even admitting, therefore, the validity of the method of "price test," no positive conclusions can be reached. Hence, it certainly appears to be nearer the truth to speak of "depreciation of silver" than of "appreciation of gold." Nevertheless, the majority of the Imperial Commission appointed to investigate[1] the fluctuations of gold and silver adopted the opposite view, falling into the common error of relying upon the "price test." Yet, whatever conclusions may now be drawn by those inclined toward bimetallism, that inevitable law of demand and supply may be depended upon to decide the contest, regardless alike of doctrines and of statistics to the contrary.

I. *Early Benefits to Japan from the Depreciation of Silver.*

At first prices in Japan did not rise to the extent of the fall of silver. Accordingly, the nation for a time reaped a good harvest through (1) increase of her exports; (2) decrease of her imports, especially from gold countries; (3) active condition of manufacturing, internal trade and agriculture; (4) increased demand for labor; and (5) increase in revenues.

1. So long as the rise of prices was only moderate, the goods produced in Japan were very cheap as compared with those made in gold-standard countries. This placed her in a very favorable position in the field of commercial competition, not only in the Far East, but in the markets of the gold countries themselves, as is shown by the growth of her commerce.

[1] See the "Letter from Japan," in the *Journal of the British Economic Association*, December, 1894, and December, 1895.

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TRADE OF JAPAN.

	With Silver Countries.[1]			*With Gold Countries.*[2]	
YEAR.	IMPORT.	EXPORT.	YEAR.	IMPORT.	EXPORT.
	Yen.	*Yen.*		*Yen.*	*Yen.*
1884	9,804,139	7,666,578	1884	19,821,593	24,613,147
1885	10,232,342	9,539,763	1885	19,087,861	25,880,963
1886	11,176,905	11,463,238	1886	20,798,646	35,464,142
1887	14,466,209	12,472,222	1887	29,794,155	37,568,632
1888	19,724,182	13,261,732	1888	45,674,213	49,281,305
1889	23,016,535	16,020,425	1889	42,766,196	51,473,106
1890	28,906,561	17,207,368	1890	46,726,406	36,824,584
1891	24,709,568	21,584,449	1891	36,577,573	55,287,658
1892	31,534,674	23,509,042	1892	38,923,584	65,047,028
1893	38,561,425	28,239,597	1893	46,779,406	58,705,901

From these tables we see that exportation to silver countries increased somewhat, but that importation from them increased more; while, as to the gold countries, the increase of Japanese exportation greatly surpassed that of importation.

2. So long as the fall of other prices in gold countries did not coincide with the fall of silver, Japan had to pay more for goods imported from them. This, coupled with the comparatively low prices in Japan, caused a gradual shifting of demand to home-made goods. The increase of the cost of foreign goods is illustrated by the following table:

		YEARS. 1884–89	YEAR. 1893
Flannels	English	100	102
	German	100	105
Gray shirtings	English	100	112
Blankets	English	100	120
	German	100	154
	French	100	123
Average of 31 other kinds of goods		100	107

[1] China, Hongkong, East India, Corea, Siam, Philippine Islands, Austria, Russia and Peru.

[2] England, Germany, France, Italy, Belgium, Switzerland, Holland, Spain, Portugal, Sweden and Norway, Denmark, Turkey, United States of America, Canada, Hawaii, Australia.

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3. As the natural result of the tendency just noticed, all sorts of factories sprang up, and things formerly imported were produced in abundance. Not only did the necessity of importation disappear, but exportation actually began to China and the Straits Settlements. To show the prevailing spirit of enterprise, we have the following table:

NUMBER OF COMPANIES AND THEIR CAPITAL.

		YEAR. 1884	YEAR. 1888	YEAR. 1892
Agriculture	Number	61	204	361
	Capital	1,234,56	5,961,936	4,437,745
Manufactures	Number	379	1594	2746
	Capital	5,048,299	39,032,471	69,016,402
Commerce	Number	654	545	1081
	Capital	8,987,560	21,409,075	30,547,417
Transportation	Number	204	150	219
	Capital	6,891,534	51,266,499	94,744,592
Banking	Number	1094	1076	1137
	Capital	78,788,835	80,505,103	90,588,219
Total	Number	2392	3569	5544
	Capital	100,950,790	198,175,084	289,334,375

Especially remarkable is the increase in the number of cotton factories:

YEAR.	NUMBER OF FACTORIES.	SPINDLES.	PRODUCTION (*kuan*).
1886	20	65,420	787,433
1890	30	277,895	5,132,588
1893	40	381,781	10,666,744

Agriculture also prospered, and the income of the farming class rapidly increased on account of the rise in the price of agricultural produce. This rise in income had the same effect upon the farming class as a lessening of the land tax. The price of land rose, and the extent of land under cultivation was considerably increased.

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YEAR.	AVERAGE PRICE OF RICE PER *Koku*.[1]	GROSS REVENUE PER *Chio*.[2]	LAND TAX.	RATIO OF TAX TO REVENUE.
	Yen.	*Yen.*	*Yen.*	%
1884	4.33	69.28	10	14.4
1885	5.55	88.80	"	11.2
1886	5.08	81.28	"	12.3
1887	4.71	75.36	"	13.3
1888	4.37	69.92	"	14.3
1889	5.56	88.96	"	11.2
1890	8.15	130.40	"	9.7
1891	6.86	109.76	"	9.1
1892	7.	112.	"	8.9
1893	7.08	113.28	"	8.8

4. The increase in both the demand for labor and the rate of wages is illustrated by the following table, which shows the changes in the weaving industry :

YEAR.	EMPLOYEES.			WAGES IN CENTS.		
	MALE.	FEMALE.	TOTAL.	MALE.	FEMALE.	AVERAGE.
1889	2,539	5,391	7,930	17.1	8.1	12.6
1890	4,089	10,330	14,419	17.0	8.2	12.6
1891	5,051	14,216	19,267	17.7	9.0	13.4
1892	6,354	18,878	25,232	17.4	8.9	13.2
1893	6,164	19,284	25,448	17.4	9.4	13.4

From the preceding table it appears that the increase in the number and in the wages of female workers was more remarkable than the corresponding increase in the case of males. The result was a scarcity of domestic servants ; and young girls in want of employment were diligently sought for by factorymen, with the promises of high wages and good treatment. Male laborers also were assured considerate treatment. As a consequence, there set in a gradual migration of population from the country to the manufacturing towns, causing extreme scarcity of hands in the agricultural districts. In Tokyo the

[1] A *koku* is about six bushels.

[2] A *chio* is something less than two and a half acres.

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rise in the average wages of all sorts of labor, taking the rate in 1875 as the standard, is shown by the following figures :

Year.	Per cent.	Year.	Per cent.
1875	100	1890	123
1883	104	1891	120
1884	117	1892	123
1885	122	1893	124
1886–89	126	1894	126

5. The benefits from this situation inured to the government as well as to the citizens of Japan, and appeared especially in the increase of its revenue.

Revenue, 1884–93.

(In thousands of *Yen*.)

	1884.	1885.[1]	1886.	1887.	1888.	1889.	1890.	1891.	1892.	1893.
Income tax . . .	0	0	0	527	1,066	1,052	1,088	1,110	1,132	1,238
Tax on *sake* . .	14,066	1,053	11,743	13,069	17,063	16,439	13,909	14,686	15,812	16,637
" " tobacco	1,294	905	1,235	1,590	1,907	1,981	1,813	1,798	2,161	2,640
Stamp duty . . .	678	435	587	564	985	622	580	588	659	761
Tax on cakes .	0	437	544	595	678	647	662	614	587	593
" " ships . .	230	238	250	258	270	280	282	278	276	275
" " wagons	478	484	531	577	611	648	663	682	729	773
Customs duty .	2,750	2,085	2,989	4,135	4,615	4,728	4,392	4,539	4,991	5,125
Fees	448	313	672	1,678	1,425	1,688	1,891	2,067	2,141	2,465
Post & teleg'ph	2,209	1,601	3,009	3,403	3,272	3,859	4,613	5,049	5,518	6,487
Railways	750	453	678	1,051	1,346	1,434	1,702	1,419	2,085	2,709
Total	22,909	8,008	22,244	27,454	33,192	33,382	31,620	32,835	36,097	39,709

Thus it is clear that the fall in the price of silver was accompanied by many manifestations of prosperity in Japan, and both people and government congratulated themselves on their good luck. All the results seemed favorable; and the depreciation of silver was regarded as an indispensable factor in the enrichment of the nation and in the extension of her commerce. Not only in Japan but in the outside world was this idea prevalent. For example, in India, and even in England itself, the cries

[1] Figures cover only nine months, owing to change in the fiscal year.

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were heard: "Beware of Japanese competition!" and "Outsold by Japan!" This foreign alarm served to reassure some persons in Japan who were doubtful as to the real benefit of the silver depreciation. The Currency Commission itself formally concluded that the fall of silver was beneficial to the nation, though a few of the members [1] protested that the apparent advantage would be brief. The inflationists and the trading and manufacturing classes echoed the resolution of the commission, and the minority view was ignored.

II. *The Inevitable Rise of Prices and its Effects.*

Eventually, however, prices in Japan began to rise by leaps and bounds. The origin of the movement needs a little explanation. In Japan rice occupies the foremost place among the staple articles, and the prices of all other commodities follow its rise or fall. At the same time, since rice is an article of export, it was subject to a double influence when silver depreciated: its price rose, not only in proportion to the fall in the value of the monetary standard at home, but also under the stimulus of the increased export demand which resulted from the fall in the gold price. As compared with 1887 the price of rice in 1894 was 77 per cent higher, and in May, 1897, 122 per cent higher; while as regards other commodities the average increase was only 26 per cent in 1894, and, in the case of gold, 58 per cent. But the tendency of other prices to follow that of rice was persistent; and by 1897 they had risen 61 per cent, gold having, at that date, reached 65 per cent. While 61 per cent was the general average, in the case of some goods the enhancement of price had far surpassed the rate of the fall of silver. Under such circumstances the much-lauded benefits of the fall of silver — increase of exportation and the outselling of competitors in gold countries — were no longer to be realized. On the contrary, a gradual increase of importation set in; and, since common wages had risen from 16 cents in 1887 to 22 cents in 1896, goods could not be produced cheaply, however hard we tried to keep the field.

[1] The author himself was one of the minority.

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IMPORTS AND EXPORTS, 1894–97.

	1894.	1895.	1896.	1897 (up to June).
IMPORTS.	*Yen.*	*Yen.*	*Yen.*	*Yen.*
Cotton, raw	19,610,761	24,822,097	32,573,352	23,451,145
Cotton yarn	7,977,366	7,082,975	11,372,001	4,036,078
Shirtings, gray	2,935,034	3,071,496	4,057,764	1,053,520
Mousseline de laine	3,150,823	3,633,468	6,498,162	2,018,700
Woolen damask	1,759,796	921,741	2,813,097	792,971
Sugar	13,324,522	11,830,183	13,853,844	8,283,519
Oil, kerosene	5,135,332	4,303,929	6,331,036	3,711,740
Rice	8,413,148	4,357,096	5,662,337	9,240,614
Beans, peas, pulse	2,977,795	2,554,764	3,475,016	2,461,469
All other goods	52,197,378	66,682,829	85,037,865	43,991,468
Total	117,481,955	129,260,578	171,674,474	99,041,224
EXPORTS.				
Silk, raw	39,353,156	47,866,257	28,830,602	19,522,493
Silk *noshi*, waste	3,208,593	2,862,720	2,764,065	1,500,389
Silk piece goods, *habutæ*	7,254,478	8,354,490	7,052,217	4,725,002
Silk handkerchiefs	3,628,129	5,339,955	4,617,720	1,763,583
Copper, raw and manufactured	4,900,754	5,157,667	5,478,602	3,088,519
Coal, coal dust	6,578,461	7,604,788	8,879,256	5,131,690
Rice	5,595,398	7,209,756	7,957,295	4,954,117
Tea	7,930,287	8,879,242	6,372,329	4,307,481
Matches	3,795,635	4,672,812	4,986,260	2,856,556
All other goods	31,001,195	38,164,491	40,904,415	22,221,655
Total	113,246,086	136,112,178	117,842,761	75,071,485

The above table reveals that, except in 1895, imports were increasing and exports decreasing. The exceptional character of the year 1895 can be explained by the spirit of abstinence that prevailed among the people because the war was still raging. At the same time, the extension of railways and other undertakings was suspended, and thus imports were curtailed, while, foreign trade being unmolested, exportation was not much affected. But in 1896 the excess of imports over exports reached the enormous sum of 53,831,713 *yen*. The increase of importation affected almost every article, and was especially noticeable in cotton, cotton yarns, machinery, sugar and kerosene oil, indicating unmistakably an enhanced consumption, espe-

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cially on the part of the farming population, which forms the bulk of the nation. On the other hand, the decrease in exports was almost universal, but was most marked in tea and in raw and manufactured silk. When the first half-year of 1897 is compared with that of 1896, the general aspect of trade shows no decisive change for the better.

FIRST SIX MONTHS OF	1896	1897
Imports	80,366,802	99,041,224
Exports	53,932,919	75,071,484
Excess of imports	26,433,883	23,969,740

Such a relation of imports to exports is inevitable when there are rising prices and expanding industry. Left to themselves, general prices will rise sooner or later to the extent of the increase in the price of rice. If so, imports from gold countries — where prices are, if not lower, at least more steady — will increase with excessive rapidity.

So long as the rise of prices was not general some advantages were derived from it. But the farmer who sold his produce at high rates had to pay more for labor, for manures and for articles of personal consumption. The factory owner had to pay more for raw materials and in wages, and the case of the merchant was no better. With the gradual increase of importation home-made goods became unsalable, the lion's share being taken by the foreign merchants in the open ports, through whom about eighty per cent of the foreign trade is conducted. As to the wage-earning class, there may have been no decrease in the number employed, and, no doubt, in many cases wages were raised. But we must not forget that in such cases the rise of wages does not precisely correspond with that of general prices, and the laborer suffers accordingly. In order to show this, the Currency Commission compiled the diagram on the opposite page.

The case of officials and clerks who live on fixed incomes is still worse than that of ordinary laborers. The price of fifteen staples in 1897 shows a rise of 30 per cent as compared with 1887. This condition produces about the same results as if the

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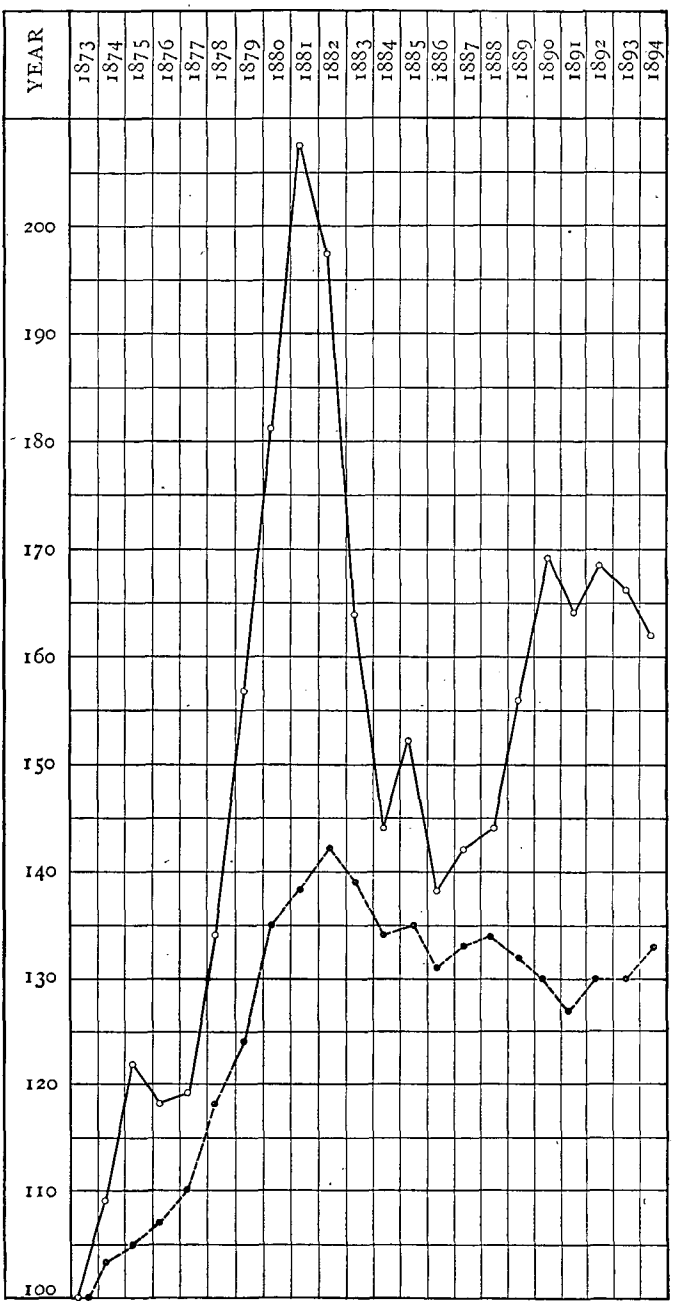

O—— is for prices and ●----- for wages, taking those for 1873 as 100.

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salaries of this class of people were reduced to that extent. Such a state of things cannot last long, and the necessity of increasing salaries is gradually being acknowledged. In no distant future the designation "cheap-labor country" will cease to be applicable to Japan. The wages of dyers, confectioners and female weavers rose by 50 per cent in eleven years, and those of weavers, tobacco cutters and masons by 40 per cent. Tailors get 50 cents, bricklayers 46 cents, masons 42 cents and shoemakers 41 cents per day. These rates are not low in a country where money still goes very far.

These high prices lighten the burdens of debt at the expense of creditors. The burden of taxation also is less felt. For example, the amount of rice necessary to pay off a debt of 100 *yen* was 21.58 *koku* in 1873, but only 13.55 *koku* in 1893, a decrease of 37 per cent. In the same way the ratio of the land tax to the gross income from a *chio* of land, decreased from 14.9 per cent in 1877 to 7.6 per cent in 1894. Under the influence of such conditions an easy-going spirit began to prevail. Many went into debt, and others, especially the farmers whose burdens were lightened, increased their expenditures for consumption, as shown by the following table.[1]

INCREASED IMPORTATION OF GOODS CONSUMED BY THE FARMING CLASS.

	1884.	1890.	1895.
	Yen.	*Yen.*	*Yen.*
Sugar	5,475,095	8,489,008	11,830,183
Tobacco	58,228	214,754	491,048
Spirits	306,244	480,644	821,179
Watches	167,581	734,931	923,023
Blankets	279,825	572,227	1,569,425
Flannels	172,588	927,562	961,333
Total	6,459,561	11,419,126	16,596,190

[1] A calculation (which, however, may not be very exact) showed that, in the prefecture of Gunba, a middle-class family of five members spent 70 *yen* a year in 1872 for daily expenses, while the amount rose to 180 *yen* in 1893.

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A time of rising prices is the speculators' opportunity. The period under examination thus witnessed the creation of many joint-stock companies, not for the sake of actual industry, but for the benefit of stock jobbers. The rate of interest rose from 1.73 cents per day upon one hundred dollars in January, 1894, to 2.1 cents in December, 1896.[1] With so high a rate as the latter — nearly eight per cent a year — no sound business could be carried on ; but later the rate again rose, to 2.3 cents a day or 8.39 per cent a year, and it became almost impossible to maintain companies whose dividends were below that rate. It is to be noticed that in Japan the market rate is usually much higher than the rate for consols, which bear five per cent interest.

II. *Other Drawbacks of the Silver Standard.*

Under the circumstances just described, the benefits that for a while resulted from the fall of silver disappeared. At the same time various positive disadvantages of the silver standard manifested themselves conspicuously and gave support to the demand for a change.

1. *Foreign trade merely a speculation.* — The greater part of the foreign trade of Japan, as has already been shown, is with gold countries. But so long as silver was her standard, the rate of exchange with them fluctuated daily, rendering anything like an accurate calculation of profit and loss almost impossible. A merchant might ship goods to America on a day when the rate of exchange was fifty cents per *yen ;* but the next day it might fall to forty-nine cents, and at the end of a month the fall might reach forty-eight cents. Under such conditions, how could the merchant calculate his ins and outs ? Of course he might ask a bank to discount his bills, and thus shift the risk ; but the transfer of risks had to be paid for, and was in the long run very expensive. The simplest solution of the problem was to go to the American and European merchants who reside in

[1] At the same time the shares of the Bank of Japan (paid-up value 100 *yen*) rose from 304 *yen* in 1894 to 315 *yen* in 1895 and to 405 *yen* in July, 1896. The amount paid in was increased in December, 1895, to 150 *yen*.

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the open ports and sell the goods in silver, thus avoiding all chance of loss from the fluctuations of exchange. We have here one of the reasons[1] for the existence of the so-called "foreign-settlement merchants," as intermediaries between the Japanese and the foreign markets. As is shown below, by far the greater part of Japan's foreign trade passes through their hands; and they make an enormous profit, however small the rate of commission may be made by competition among themselves. As

COURSE OF TRADE.

YEAR.	EXPORTS (IN *yen*).			IMPORTS (IN *yen*).		
	THROUGH JAPANESE.	THROUGH FOREIGNERS.	PER-CENTAGE.	THROUGH JAPANESE.	THROUGH FOREIGNERS.	PER-CENTAGE.
1888	7,081,324.41	56,599,289.07	11.8	8,499,788.68	53,820,246.78	13.6
1889	6,781,587.98	61,641,543.12	9.9	9,645,761.69	54,349,247.96	15.2
1890	6,123,961.56	48,767,635.82	11.1	19,521,764.71	61,033,109.96	24.2
1891	8,770,764.83	69,144,861.87	11.3	14,276,380.05	47,692,803.45	23.
1892	11,395,210.47	77,943,923.79	12.8	13,812,662.45	56,263,748.15	19.7
1893	13,654,984.51	74,485,809.36	15.5	16,693,902.29	70,903,193.03	19.1
1894	20,450,979.38	90,846,710.15	18.4	33,947,596.12	82,336,454.38	29.2
1895	26,328,816.43	107,188,169.46	19.7	28,829,338.48	88,422,505.96	30.5

these merchants sell for gold, and as gold prices are steadier, their profit under the silver standard swelled through payment for the increase of risk. Except so far as the importers in foreign countries demanded a reduction of prices, the profit of the settlement merchants increased proportionally to the depreciation of silver. It was perceived, moreover, that the same result would follow when prices in Japan fell from any other cause. Thus, not only did importing countries fail to reap the benefit of low prices in Japan, but the Japanese export trade was wholly controlled by the foreign-settlement traders, who had the native merchants at their mercy. It was felt that this pitiful and primitive condition of things must last until either the risk of

[1] Other reasons are the long-established custom of inter-territorial trading, and the deficiency of credit and commercial morality among the native traders in the open ports.

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exchange fluctuation should be lessened or the Japanese merchants should make up their minds to bear the loss themselves. The latter alternative would be very slow of realization, and so the only course left was the former. Then the question was: How can we escape the risk? Shall the state guarantee the loss, or can we not steady the price of silver by international agreement? Such artificial devices, however, could not be relied upon. The only true remedy was to demonetize silver and to place the currency of the realm on the gold basis. This was the conclusion reached by the Japanese government. With the gold standard, the fluctuations of the rate of exchange will be limited by the specie transfer points; and for the first time foreign trade will become a sure and trustworthy business, instead of a mere speculation. Gradually the necessity of the foreign-settlement merchant will dwindle away, and the Japanese foreign trade will become truly worthy of the name, whereas heretofore it has been more properly a "foreign-settlement trade."

2. *Foreign payments burdensome.* — Japan, as an undeveloped country, has much to import. Moreover, since her geographical position is specially suited for trading purposes, while her policy now is to promote the extension of manufacturing, she has to import machinery and raw materials. The late war, too, impressed her with the necessity of strengthening her navy, her fortifications and other instrumentalities of warfare; and for these purposes she was obliged to make large payments to gold countries. So long as the fall of silver continued, her burden of foreign payments was insensibly yet enormously increased. In 1894 the Japanese government had to make such payments in gold to the amount of £879,564 4*s.* 9*d.*, and this, at the current rate of exchange (2*s.* ¼*d.* per *yen*), was equal to 8,704,965.649 *yen*. Just a year before, when the exchange stood at 2*s.* 8.63*d.*, she could have paid with 6,470,357.609 *yen*; and in 1874, when the exchange was at 4*s.* 2*d.*, with only 4,221,908.340 *yen*. The case of payments made by the people at large was just the same. Such payments, moreover, must continue; since, before she realizes her aspiration of becoming the England of the east, Japan must build ships, extend rail-

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ways, and set up factories and machinery of all sorts. Already her importation of raw cotton from India and America is increasing rapidly. If by altering her standard she can escape the loss from exchange fluctuation, she will benefit not only in her importations, but also in her exportations, because foreign trade generally will become sure and reliable.

3. *Increase of state expenditure.* — Not only was the burden of the government increased in respect to foreign payments, but the rise of prices had about the same effect on the administration as a reduction of its income. Officials and other employees of the government could not support themselves. Salaries had to be increased continuously in order to meet the rise of prices. So great was the embarrassment of the government from this cause that a change of monetary standard, difficult as it was, seemed the most practicable proceeding. The only alternative, an increase of taxation, was out of the question, at a time when the public burdens had been so greatly increased in consequence of the war.

4. *Deficiency of capital.* — With the fall of silver the return for the capital invested in silver countries by creditors in gold-standard nations was diminished, or, if not actually diminished, became subject to such anxiety and risk as caused a curtailment of such investments. Happily or unhappily, however, the amount of foreign capital in Japan is not large, owing to the present treaties, which restrict the foreigner's sphere of action to the open ports. Yet the decrease of foreign investments in Japan, however small the investments may be, must be lamented, especially when we remember that she lacks sufficient working capital. With such a high rate of interest as eight per cent or more Japanese industry cannot be quickly developed, nor can she compete with rivals whose market rate is somewhere between two and three per cent. Moreover, the sudden demand for capital on the part of her rapidly developing industries had to be satisfied. For the sake of these, foreign investments had to be retained, if not increased. Consequently, the adoption of the gold standard was a matter of necessity.

Some speak ill of the change of the standard as merely a

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cunning device for getting loans from gold countries. Such criticism is ill founded; yet, as a result of the change, capital will naturally flow in from gold-standard countries. This movement has already begun, and transactions in government bonds to the amount of more than 43,000,000 *yen* have lately been recorded in the London market. Before this it was well known that Japanese coupons yielded five per cent interest, and that the Mikado's government never failed to meet its liabilities. A lucrative field of investment was thus open to the well-to-do people of such a country as England, where consols yield only about two and a half per cent. But hitherto our bonds have not been extensively held, simply because the principal and interest have been payable in silver. Hereafter the holders of our bonds will be paid in gold, and so will be assured of getting the promised rate of interest. Not only the consols, but stocks and debentures of various corporations, which pay more than fifteen per cent dividends, will probably be gradually taken up in the gold countries, to the mutual benefit of creditors and debtors. Indeed, since silver is the standard in only a few countries, like Mexico and China, and since all the rest of the principal nations have in practice, if not by law, adopted the gold standard, to remain a silver country would be the same as to stand isolated from the money market of the world. Such a seclusion cannot be maintained, nor is it desirable that it should be. Japan has been trying hard since 1868 to assimilate herself to the civilized world. Revision of treaties and codes of law, adoption of a constitution, reform of her political institutions, strengthening of her army and navy, extension of education, improvement of railway, postal and telegraph facilities — all these are the outcome of the spirit now pervading the country. Why, then, should the monetary standard, which has an international character, have been made an exception to this general tendency?

The standard would have been changed much sooner but for a difficulty that was almost insurmountable — the lack of an adequate gold reserve. The majority of the Currency Commission were in favor of the gold standard. But they (the author

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among them) saw with regret the insufficiency of the gold reserve, and concluded their work by advising the government to do its best to augment that reserve by encouraging in every way the influx of the yellow metal. A sudden stroke of good fortune has, however, solved the problem for Japan. The successful outcome of the war with China has placed in her hands an ample stock of gold, and this has given her an opportunity to pass at once to the gold standard.

IV. *The Indemnity Paid by China.*

After successive triumphs of the Japanese forces, both on land and on sea, the war was brought to an end by the treaty of peace signed in Simonoseki, April 17, 1895. China agreed to pay 200,000,000 *taels* as indemnity, with five per cent interest on unpaid portions, besides 500,000 *taels* more as the annual expense of the Japanese garrisons stationed in Wei-hai-wei. To these sums were added by the convention of November 8, 1895, 30,000,000 *taels* as compensation for the relinquishment of Japan's claims upon Liautung Peninsula. These sums were all quoted in Kuping *taels*, which represent a certain amount of pure silver weighed with a balance used by the Chinese treasury. That weight was, however, far from being clearly fixed, varying with the convenience of the time from 575.82 to 579.84 grains; and the former figure was finally adopted by the contracting powers. Great caution and sagacity were required, lest the purchase of so enormous an amount of silver by China and its transfer to her conqueror should disturb the world's silver market and the rate of exchange between the East and the West, and should plunge China into great difficulties in securing what she needed.

Far-sighted Japanese statesmen and financiers perceived that China must borrow in the European market, and that it would suit her convenience to pay in the same place; that the future purchases by Japan, in gold countries, of munitions of war, railway equipments, *etc.*, must increase, and that it would suit her convenience also to be paid in the same market; that gold,

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as the more stable metal, was best adapted for use in a contract extending over a long period of time; and that the unused portion of the indemnity might serve as the material to be used in the alteration of the monetary standard. Accordingly, China was asked to pay in England, and to convert the payments into pounds sterling, at the average price of silver for June, July and August of 1895, which was 30.4429*d.* To this also she agreed, October 6, 1895, and the three items were calculated thus:

	Indemnity.	Expenses for Occupying Wei-hai-wei.	Compensation for Giving up Liautung.
Amount in *taels*	200,000,000 *taels*	500,000 *taels*	30,000,000 *taels*
Pure silver in grains (1 t = 575.82 gr.) .	115,164,000,000 gr.	287,910,000 gr.	1,727,460,000 gr.
Pure silver in ounces (1 oz. = 480 gr.). . .	259,925,000 oz.	599,812.5 oz.	35,988,750 oz.
London standard silver of .925 fine	259,378,378.378 oz.	648,445.9 oz.	38,906,756.7 oz.
Pounds sterling (1 oz. = 30.4429*d.*) . . .	£32,900,980 7*s.* 7*d.*	£82,252 9*s.*	£4,935,147 1*s.* 1*d.*

The annual amount to be paid in gold thus stands:

Year.	Indemnity.	Interest.[1]	For Occupying Wei-hai-wei.[2]	For Giving up Liautung.	Annual Total.
1895	£8,225,245	—	—	£4,935,147	£13,160,392
1896	"	£1,028,155	£82,252	—	9,355,653
1897	2,741,748	753,980	"	—	3,577,981
1898	"	616,892	"	—	3,440,894
1899	"	479,805	"	—	3,303,806
1900	"	342,718	"	—	3,166,719
1901	"	205,631	"	—	3,029,631
1902	"	68,543	"	—	2,892,544
Total	£32,900,980	£3,495,729	£575,767	£4,935,147	£41,907,623

[1] In case the whole indemnity is paid off by May 8, 1898, there will be no interest charge.

[2] After two installments have been paid and satisfactory guarantees have been offered, the troops will be withdrawn, and further payments under this head will cease.

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Of this sum by far the greater part will be devoted to the past and future expenses of the war. Yet tens of millions are still unappropriated and may be directed to any useful purpose. It must not be understood, however, that this unused portion goes directly to supply the gold to be used as the reserve for the new standard. In order to show how 72,600,000 *yen* of gold and 26,900,000 *yen* of silver were added to the already existing metallic reserve [1] at the Bank of Japan,[2] a short explanation of the transfer of the indemnity fund becomes a necessity. Great care and skill have been exercised in the whole management of the indemnity. The following amounts, received from Chinese authorities, were deposited in the Bank of England in the name, at first, of the government, but since April, 1896, of the Bank of Japan, which is intrusted with the custody of the public money.

DATE OF RECEIPT.	CHARACTER.	AMOUNT.
Oct., 1895	Indemnity (1st installment)	50,000,000 *taels*
Nov., 1895	For Liautung	30,000,000
May, 1896	Indemnity (2d installment)	25,000,000 (Invested in German bank for a time.)
May, 1896	Indemnity (2d installment)	25,000,000
" "	Interest of indemnity for half-year	1,250,000
" "	Expenses of Wei-hai-wei occupation	500,000
Nov. "	Interest of indemnity for one year	5,000,000
May, 1897	Indemnity (3d installment)	16,666,666
" "	Expenses of Wei-hai-wei occupation	500,000
" "	Interest of indemnity for half-year	416,666
	TOTAL	154,333,333 *taels* or £25,388,589 16*s.* 11*d.*

A part of this sum was devoted to government payments in London; part was sent to Japan in gold and silver, as the London market permitted it to be done without causing great dis-

[1] 36,700,000 *yen*, gold; 22,000,000 *yen*, silver.

[2] This is the only bank of issue, and on it devolved the responsibility of converting the notes formerly issued by the government and national banks. For the details readers are referred to "Banking and Money in Japan," by the author, in vol. iv of A History of Banking in All Nations, published by the *Journal of Commerce and Commercial Bulletin*, New York.

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turbances; while a part was transmitted by means of exchange — and of this by far the greater portion was transferred in London to the credit of the Bank of Japan, the government being paid off in Japan with the bank's convertible notes, although a few millions sterling were directed to the purchase of English treasury notes and to the working fund of the Bank of Japan. Of the total sum (£25,388,589) received hitherto in London, £3,027,541 19*s.* have been devoted to payments there; and of the rest £7,646,867 7*s.* were transmitted in gold, £2,968,097 6*s.* in silver and £6,561,889 13*s.* by means of exchange. The government has borrowed from the Bank of Japan to the amount transmitted in gold and silver, so that the bank has been enabled to replenish its metallic reserve to the same amount. According to the figures for March 31, 1897, the bank was to hold a gold reserve of 109,400,456 *yen* to protect its note circulation of 181,112,280 *yen* — that is, in addition to its silver, a gold reserve of about three-fifths of its total issues, which is by no means weak or insufficient. Thus, what Austria obtained with much difficulty by means of a foreign loan was secured by Japan easily and almost unknown to the rest of the world. So the greatest obstacle was removed and the practicability of the gold standard was established.

V. *Legislative Success.*

After a heated contest — even in official circles — between the advocates of monometallism and those who upheld what is commonly known as "a limping standard," a bill was brought forward in the House of Representatives and read the first time on March 3, 1897, of which the principal features were as follows:

(1) The establishment of a genuine gold-standard system, with new gold coins of exactly one-half the weight of the existing gold coins, making easy the calculation of the new *yen* in lieu of the old, and avoiding any disturbance of the existing relations of creditor and debtor.

(2) The establishment of free coinage of gold at the mints, the state to bear all the loss of natural abrasion of the coins.

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(3) The gradual withdrawal of the standard silver coins from circulation and the discontinuance of the free coinage of silver, provision being elsewhere made that the Bank of Japan notes should be convertible into gold.

The text of the bill was as follows :

COINAGE ACT.

Art. I. — The power of minting and issuing coins belongs to the government.

Art. II. — A weight of 2 *fun* (11.574 grains T.) of pure gold shall be the unit of coinage, which shall be called a *yen*.

Art. III. — The varieties of coin shall be as follows:

GOLD COINS.

Pieces of 20-*yen*, 10-*yen* and 5-*yen*.

SILVER COINS.

Pieces of 50-*sen*, 20-*sen* and 10-*sen*.

NICKEL COINS.

Pieces of 5-*sen*.

COPPER COINS.

Pieces of 1-*sen* and 5-*rin*.

Art. IV. — The decimal system shall be adopted for purposes of currency calculation. The hundredth part of a *yen* shall be called a *sen*, and the tenth part of a *sen* shall be called a *rin*.

Art. V. — The composition of the coins shall be as follows:

GOLD COINS.

900 parts of pure gold to 100 parts of copper.

SILVER COINS.

800 parts of pure silver to 200 parts of copper.

NICKEL COINS.

250 parts of nickel to 750 parts of copper.

COPPER COINS.

950 parts of copper, 40 parts of tin and 10 parts of zinc.

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Art. VI. — The weights of the coins shall be as follows:

	Momme.	*Grammes.*
The 20-*yen* gold piece	= 4.444	16.6665
" 10-*yen* " "	= 2.222	8.3333
" 5-*yen* " "	= 1.111	4.1666
" 50-*sen* silver piece	= 3.5942	13.4783
" 20-*sen* " "	= 1.4377	5.3914
" 10-*sen* " "	= 0.7188	2.6955
" 5-*sen* nickel piece	= 1.244	4.6654
" 1-*sen* copper piece	= 1.9008	7.1280
" 5-*rin* " "	= 0.9504	3.5640

Art. VII. — Gold coins shall be legal tender to any amount. Silver coins shall be legal tender to the amount of ten *yen*. Nickel and copper coins shall be legal tender to the amount of one *yen*.

Art. VIII. — The forms of the coins shall be fixed by imperial ordinance.

Art. IX. — The legal limit of deviation in fineness shall be $\frac{1}{1000}$ in the case of gold coins and $\frac{3}{1000}$ in the case of silver coins.

Art. X. — The legal limit of deviation in weight shall be as follows:

20-*yen* gold coin: 0.00864 *momme* (0.0324 grammes), or 0.83 *momme* (3.1125 grammes) in 1000 pieces.

10-*yen* gold coin: 0.00605 *momme* (0.02269 grammes), or 0.62 *momme* (2.325 grammes) in 1000 pieces.

5-*yen* gold coin: 0.00432 *momme* (0.0162 grammes), or 0.41 *momme* (1.5375 grammes) in each 1000 pieces.

In the case of the silver coins, the legal limit of deviation in weight shall be 0.02592 *momme* (0.0972 grammes) for each piece, or 1.24 *momme* (4.65 grammes) in each 1000 pieces, of 50-*sen*; .083 *momme* (3.1125 grammes) in each 1000 pieces of 20-*sen*; and 0.41 *momme* (1.5375 grammes) in each 1000 pieces of 10-*sen*.

Art. XI. — The minimum circulating weights of the gold coins shall be as follows:

	Momme.	*Grammes.*
20-*yen* gold coin	= 4.42	16.575
10-*yen* " "	= 2.21	8.2875
5-*yen* " "	= 1.105	4.1438

Art. XII. — If, in consequence of abrasion from circulation, any of the gold coins fall below the minimum circulating weight, or if any of the silver, nickel and copper coins become visibly reduced owing

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to the same cause, or if any coins become inconvenient for purposes of circulation, the government shall exchange such coins for others of the same face values without making any charge.

Art. XIII. — If the design upon a coin becomes difficult to distinguish, or if it has been privately restamped or otherwise defaced, it shall no longer be regarded as a coin.

Art. XIV. — Should any person import gold bullion and apply to have it minted into gold coin, the government shall grant the application.

Art. XV. — The gold coins already issued shall circulate at double the value of the gold coins issued under the provisions of this law.

Art. XVI. — The silver 1-*yen* coins already issued shall be gradually exchanged for gold coins, according to the convenience of the government, at the rate of one gold *yen* for one silver *yen*. Pending the completion of the exchange referred to in the last paragraph, silver 1-*yen* coins shall be legal tender to an unlimited extent, at the rate of one silver *yen* for one gold *yen;* and the suspension of their circulation shall be announced six months in advance by imperial ordinance. Any of these coins not presented for exchange within a period of five full years, reckoned from the day on which their circulation is suspended, shall be regarded thenceforth as bullion.

Art. XVII. — The 5-*sen* silver coins and the copper coins already issued shall continue in circulation as before.

Art. XVIII. — From the day of the promulgation of this law, the coinage of 1-*yen* silver pieces shall cease; but this restriction shall not apply to silver bullion intrusted to the government for coinage prior to that date.

Art. XIX. — All previous laws or ordinances conflicting with the provisions of this law are hereby rescinded.

Art. XX. — With the exception of Art. XVIII., this law shall go into operation from the 1st day of the 10th month of the 30th year of Meiji (October 1, 1897).

In the long and elaborate speech of Count Matsukata, the premier and minister of finance, when he introduced the bill, the historical and logical basis for the proposed reform was presented substantially as follows :

Under the old régime the ratio of gold and silver was 1 to 8 ; hence the exodus of gold. In the beginning of the Meiji era (1868) a revision of the coinage was effected, and the gold

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standard was introduced in the guise of bimetallism. But gradually the over-issue of paper money, to meet the expenses of civil war and the continuous deficit, led to its depreciation — once as low as seventy per cent as compared with silver, which became the actual standard after 1878. Careful and drastic measures looking to the redemption of the paper by means of the increased stock of specie resulted in the restoration of the paper currency to par in 1886. In the meantime, from 1873, the fall of silver had become incessant. This was due to the increase of its production while the demand for it decreased, notably on account of the monetary reform of Germany. The conditions attending the fall of silver led to the appointment in 1893 of the Currency Commission, which favored the abandonment of the existing system and the introduction of gold monometallism. Then, as a result of the war with China, Japan was enabled to secure a large amount of gold. At the same time a considerable rise of prices set in after the war (1894–95), and commerce was subjected to serious disadvantages, all traceable to the fall of silver. Thus it clearly became the policy of Japan to adopt the gold standard. In formulating a plan for altering the standard, two important points had to receive particular attention — the relation of the new coins to the old and the disposal of the demonetized silver coins. The former question was solved by fixing the ratio of gold and silver at 1 to 32, the average price of silver in London in January, and the latter by providing for the earliest possible withdrawal of silver *yens* from circulation as legal tender, and for gradually recoining them into subsidiary coins.

All the fears entertained as to the effect of the reform were dismissed by Count Matsukata as groundless; and to the opposition of the bimetallists he attached little weight, holding bimetallism to be not only erroneous in principle, but impossible of realization, as proved by the successive failures of monetary conferences. On the other hand, he held that the reform would give us, with many other advantages, steady prices, increased exports and greater facilities for coöperation between domestic and foreign money markets.

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The premier's speech was not left unchallenged, for many members of the opposition spoke against him. The bill was, however, according to the parliamentary rule, referred to a select committee, consisting of twenty-seven influential members. From this body it was reported favorably (ayes 15, noes 9) on March 10; and, after two days of vehement discussion, the second reading of the bill was carried by 151 to 96. Various slight amendments were then proposed, such as raising the fineness of the subsidiary silver coins and coining 25-cent pieces, but all were lost, and the measure passed in its entirety. On the 15th of March it was on the order of the day in the House of Peers. The conservative inclination of this house made progress somewhat slower than in the house below, but at last, largely through the zeal and influence of the premier, the bill was passed without any amendments whatever. It received the imperial assent and was promulgated as law on the 29th of March. The whole nation had manifested intense interest in the destiny of the bill. Many meetings were held; and the daily papers, as well as the magazines, were freely made use of by both the advocates and the opponents of the bill.[1]

VI. *Grounds of Opposition to the Law.*

The most fundamental antagonism was that of those who believed silver to be more stable than gold, assigning to the latter the whole responsibility for the recent fluctuations. This class of adversaries based their argument on the changes in the prices of commodities, asserting that, as prices are more stable in silver-using countries, silver is not to be blamed. That such an assertion is erroneous has been proved at the beginning of this article; and it has been demonstrated that, by proper consideration of the relation of demand and supply, the fault is seen clearly to lie more largely with the white metal.

[1] The author himself, having been connected with the framing of the bill, was called upon to speak and write for the cause of gold monometallism against the attacks of its opponents, who included members of the Diet, university men, bankers, merchants and manufacturers.

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An argument that sounded more or less scientific was that of the bimetallists. But in their argument there is a fundamental fallacy; for there can not be, and ought not to be, more than one measure of value. Experience has shown that, when the system advocated by them is carried out in practice, the result is an alternative standard, the cheaper metal always occupying the field. If something like an international agreement could be reached among the principal nations, bimetallism would perhaps be logical and practicable. But such an agreement is far from realization, as has been proved by the repeated failures of monetary conferences. This is inevitable so long as the interests of different countries are so diverse as in the present stage of human progress. Even admitting the desirability of bimetallism under ideal conditions, the adoption of that system should not now be made an issue in practical politics.

Another ground of opposition was the claim that gold would be too high a measure of value in Japan, where prices are still very low and where the unit of value is very small. In answer to this it may be said that a sudden change from gold to silver would raise prices and cause disturbances in existing pecuniary relations, if not serious social commotions. That prices had already risen we have seen; while the striking of new gold *yen* coins at precisely half the weight of the old caused no changes in the daily transactions and did not disturb existing contracts. The recent rise of the practical unit of value is very remarkable. Formerly the value of most things was given in *rin* ($\frac{1}{1000}$ of a *yen*), but now *sen* ($\frac{1}{100}$ of a *yen*) valuation has become common, and the still higher unit will be employed in no distant future. Such a state of things fully justifies the adoption of the gold standard. But the opponents of the policy argued that the new coinage act itself, in not providing for gold one-*yen* pieces, conceded that gold was too dear a metal. As a matter of fact, the reason why one-*yen* pieces are not struck in gold is simply because the coin would be too small for convenient manipulation, while the loss from abrasion would be very great.

Those who are commonly known as inflationists opposed the change with the plea that it would cause low prices; and they

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sounded a warning that Japan, under a gold standard, would experience the same state of depression as England and other gold countries. This contention overlooks the fact that a high price level is only a temporary and partial benefit; for all producers and merchants are themselves consumers, though all consumers are not producers and merchants; and the interest of the whole — that is, of the consumers — must always be considered first. Low prices are to be aimed at if we look to permanent and universal advantage. General well-being and progress cannot be attained unless prices are steady, if not low. The depression which has been experienced by gold countries, especially England, is not the result of the standard. The cause lies in the gradual increase of international competition. In the markets which were at one time almost the monopoly of England, have appeared Germany and others, even Japan, as her competitors. Means of production and of transportation have undergone great modification and improvement, not only increasing the amount, but also lessening the cost, of production. Low prices from such causes are never to be lamented. On the contrary, the standard of living has in the interval undergone great improvement, causing extraordinary progress in social well-being. A few producers and merchants may complain, but the workingmen were never before so happy and so well off. Comforts which were never dreamed of by them have come within their reach, and the increase of social happiness is something beyond imagination.

Another ground for opposing the change was the allegation that it was a mere device for borrowing abroad. But the truth was clearly and concisely expressed by the minister of finance: "Great convenience will also be felt in financial matters. But the question of the monetary standard is one affecting the national economy, and is not to be decided by considerations of financial convenience alone." It is evident that foreign investments in Japan may be facilitated, but this is not the sole purpose of the change: financial convenience was never sought at the sacrifice of the general interest. Some more amiable opponents feared the result of the free circulation of capital in

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and out of the country, saying that hereafter the oscillation of hard and good times that characterized other lands would reach Japan, whereas she had been clearly exempt from it before. It must be admitted that such an oscillation will be felt; but it will be like a tidal wave in mid ocean, which, though large in bulk, is scarcely perceptible. Moreover, once she opens her gates to other nations it is futile to attempt to stand out of the movement of the rest of the world. The only way to get out of it is to shut herself up, as was the case about the middle of this century.

The most influential and telling opposition, however, came from those who held a firm conviction that the extension of Japanese trade and industry was the outcome of the fall of silver. That this was true to some extent, but that after the extraordinary rise of prices the fact lost its validity as an argument against the gold standard, has already been dwelt upon. Yet these opponents sternly declared that, without regard to the past, gold-using Japan would be outsold by China in gold countries, if the anticipation that silver would continue to fall should prove well founded; and, moreover, that she would have to fight hard against gold countries in Eastern markets, once she had lost the advantage of falling silver. In these arguments there was much substance. But if the proper reforms are made in Japan's commerce and manufactures, the contest will not be hopeless. Moreover, Japanese silk and tea, the chief articles likely to meet with Chinese competition, are different in kind and use from the products of China. But, whether or not she remains a gold country, if the rise of price continues, Japan cannot fare well. As to the competition with European nations in the Eastern markets, Japan must still retain the great advantages of geographical proximity, lower wages and abundant coal.

In addition to the general opposition to the change of standard, various objections were raised to the particular provisions of the coinage act. Most important under this head was the contention that the amount of the gold reserve was insufficient to carry out the scheme. But the Bank of Japan will be able to increase its reserve to 150,000,000 *yen*, covering five-sixths

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of its note circulation, which is more than ample, when we consider that in such a case the metallic reserve is usually regarded as adequate when it amounts to one-third of the notes issued. Granting this sufficient for the present, some entertain the fear that it may in the future become inadequate. But, taking the average of eight years since 1888,[1] we have had to pay in balances to silver countries 10,573,800 *yen* (exports, 24,475,014; imports, 35,048,814), while receiving from gold countries 11,156,917 *yen* (exports, 61,425,682; imports, 50,268,765). If the future can be judged by the past, our receipts of gold will annually surpass our payments in silver by more than half a million.

Friends of the reform also attacked the coinage act for allowing five years of grace for converting silver *yen* into gold after the circulation of the former should be prohibited. They said that if silver should fall below the ratio of 32.348 to 1, fixed in the act, silver *yen* that have been exported to the amount of over 112,000,000 would be imported, carrying away the gold from the vaults of the Bank of Japan, weakening the metallic basis and frustrating the whole scheme. It must be admitted that the five-year period — so fixed in order to protect the interest of holders of Japanese silver coins — is too long. However, of the total amount exported by far the greater number of the coins are "chopped," that is, disfigured by the Chinese, who never use a coin unless a money dealer certifies its value by stamping on it his signature. Such disfigured coins are not to be considered as legal and are excluded from conversion. There are, of course, perfect coins in circulation, but the internal and external demand for conversion may not exceed 30,000,000 in all. It is in connection with these only that the trouble, and perhaps the loss to be born by the state, will arise. There are, moreover, some who take the ratio of the act as a permanent bimetallic ratio, even going so far as to condemn it as arbitrary and unwise. In this there is a great misunderstanding. This ratio is merely to be used for the conversion of old silver *yen* into new gold coins, and can never have effect as a bimetallic ratio. This figure was fixed, as already mentioned, so as to

[1] The year 1896 is not included, for the reason that it is exceptional.

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cause the least possible disturbance in existing contracts. The charge that it is arbitrary, or too distant from 15½ to 1, is quite out of place.

Finally, we may note certain objections of minor importance. Fears were expressed that the price of silver might be depreciated by the sale of the redundant silver; that the fractional silver coins, being at the ratio of 1 to 28.75, might all be exported if silver should rise beyond that rate; and that without one-*yen* gold and 25-cent silver pieces people would feel much inconvenience. In reply, it was pointed out that the whole stock of converted silver would be coined into subsidiary coins, and that none could be sold out;[1] that any rise in the value of silver was almost impossible; and, lastly, that one-*yen* gold pieces are too small for coining, while the place of the 25-cent piece may be filled by 20-cent silver and 5-cent nickel coins.

In conclusion, then, the chief advantages hoped for by the friends of the new monetary system are these: economically, the gold standard, by steadying prices, will contribute much to the real increase of wealth; commercially, foreign trade will be freed from its speculative tendency, and the trade with gold countries, in particular, will be facilitated; industrially, we can import machinery and railway equipment much more easily from gold countries; at the same time, we can get more cheaply cotton and other raw materials from China and other silver-using countries, provided the supposition that silver is doomed to fall be true; financially, the relation with the external money market will be made closer, as proved already by the sale of government bonds in the London market; socially, the speculative spirit will be cooled down, luxurious habits may be checked, and the whole tendency in national life will become more sound and trustworthy.

None but a prophet can exactly predict how the future will

[1] The execution of this purpose is a matter of absolute practical necessity, owing to the scarcity of fractional silver, which at present amounts to only one *yen* per capita. The demand for small coins will be increased, moreover, by the gradual withdrawal of bank notes of less than five *yen*, as is required by the new scheme.

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turn out. The benefits described are what the writer believes will be realized; whether this belief is well founded or not must be left to the verdict of time. Without sound money, true, general and lasting economic progress is never to be realized. This is why Japan made up her mind to adopt the gold standard. It is the earnest wish of the writer that all enlightened countries may adopt this standard without heeding the groundless cry of bimetallists that gold is scarce, or their fruitless efforts to convene international conferences. The annual output of gold is, in fact, on the increase, and international agreement is practically impossible. The only actual result of the agitation for a new conference is to intensify the fluctuations of silver in the market. Gold monometallism alone can pave the way to the attainment of a universal money, and thus to that closer intercourse that shall bring all the nations into one brotherhood — the goal and destiny of mankind.

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CAPITALISM ON TRIAL IN RUSSIA.[1]

THE last few years in Russia have been marked by a general awakening of the Russian public from the mental apathy into which it had lapsed since the beginning of the eighties. Never since the time of the emancipation of the serfs has the general reading public been taking so much interest in discussions of questions of public policy. Never have the magazines and newspapers devoted so much space to articles on economics and political philosophy as they have during the present decade, and especially during the last two or three years. The first impetus to this general revival was given by the famine of 1892, which brought thinking people face to face with the fearful, unheard-of condition in which the yeomen of the country — its bulwark in war and mainstay in peace — have been placed. The physical degeneration and the moral degradation of the peasantry, resulting from a life full of privation and under constant oppression, were so appalling as to cause a feeling of shame and an outbreak of indignation, and, breaking all barriers of censorship, to force the discussion of the subject.

But not until two or three years ago did the discussion assume its present scientific character and become concentrated on the subject of economics and philosophy. This change has been due to three books, which, for their influence in moulding public opinion in Russia, as well as in clearing a new path for scientific research, may truly be called epoch-making works. Of these, the first in point of time was Peter Struve's *Critical Observations on the Economic Development of Russia;* the other two are mentioned in the note below. Before saying anything about these books, however, a few preliminary remarks may help the American reader to grasp more clearly the question at issue.

[1] The Monistic Conception of History. By N. Beltof, St. Petersburg, 1895. — 287 pp.

The Theoretical Basis of Peasantism in the Works of Mr. V. V. (Voronzof). By A. Volgin, St. Petersburg, 1896. — 283 pp.

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I.

The emancipation of the peasants was carried out in a form which represented a compromise between the demands of the socialists, who advocated the redemption of land by the government and its return to the peasants, and the resistance of the landed nobility, who opposed emancipation in any form whatever, and most of all the plan of providing the peasants with land. The former, headed by Nikolai Chernyshevsky, Russia's famous economist and brilliant journalist, based their demands on the fact that the peasants at the time lived in a state of natural economy and had preserved intact the primitive organization of communal landholding. The idea of private property in land was, indeed, so foreign to the minds of the peasants that they naïvely imagined that the land belonged to them — that is, to the present commune (*mir*) — even while they were in servitude. "We are yours, but the land is ours," was the common saying among them.[1] Pointing to the sad experience of Western Europe, Chernyshevsky and his party urged the adoption of their plan, as the only means of preventing the formation in Russia of a proletarian class at that time unknown there. They thought it possible for Russia to develop an economic system, different from the systems in other countries, based on common ownership of land, with the principle of communism carried out in other branches of production — in short, "to benefit by the lessons taught by the history of Western nations and find out some new way of our own to avoid that evil of pauperism which necessarily accompanies private enterprise in production."[2] It is needless to add that the new way meant socialism.

The emancipation act was worked out, however, without the coöperation of these people, although it bore evidence of the fact that its framers were not unaware of the views and suggestions of the advocates of "emancipation with land." But,

[1] *Cf.* Stepniak, The Russian Peasantry, pp. 7 ff.

[2] Chernyshevsky, Criticism of the Philosophic Prejudices against Communal Landholding.

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as it was the nobility that had the upper hand in the proceedings, its interests finally triumphed. The peasants accordingly received, on the average, four *dessiatines* (about eight acres) of land for each adult male; and the task of allotting the land was left to special officials selected from the ranks of the nobility. It was then predicted that the measure would prove to be a blow to the economic independence of the peasant, who, unable to support his family on such a tiny holding, weighed down in addition by a heavy redemption fee and an unusually burdensome tax, would be forced to have recourse to his old master, either by renting from him additional land or by working on his estate for wages. The owner, it was said, would then dictate his own terms.

Not only have these predictions proved true, but things have gone even further: the old commune, with its equality of members and solidarity of interests, has been going to pieces at an ever accelerating rate, and the thirty-six years which now separate us from the turning-point in Russian history have seen a most thorough-going revolution taking place in the economic life of the people. The liberation of more than twenty million people, under the conditions just described, has at once set free a great supply of labor, and has given a mighty impulse to industry and commerce. New cities have come into prominence and the old towns have grown, attracting thousands upon thousands of laborers, who no longer find places for themselves in the country. Industry has developed, and continues to grow with unheard-of rapidity. The house industry of the ante-emancipation times is giving place to gigantic factories and large capitalistic concerns which are beginning to monopolize the internal market; while, under the revolutionizing influence of the railway, which has spread all over the country, entangling in its net the remotest nooks of the empire, the natural economy of the peasant is fast giving way, and he appears in the new rôle of a producer for the world's market and a formidable competitor of the American farmer. With a money economy, uncertainty in the market, and special advantages to be derived from quick, shrewd action, the old

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commune is going down under the onslaught of individual enterprise — the only rational form under a system of free competition. In fact, at present there is left of the old commune but a vestige, artificially preserved by the government, which uses it as a convenient device for insuring the collection of taxes,[1] to the great disadvantage of the peasantry. Disparity in wealth among the peasants is an established fact; and the steady differentiation of a landed peasant aristocracy and an agricultural proletariat is being observed by all writers on the subject.

In spite of all this, there is still a large number of people in Russia who continue to cherish the unfulfilled hopes of the preceding generation. They form — or at least did form until two or three years ago — a very strong party, are still predominating in all fields of literature and constitute the bulk of the opposition in Russia. They are known there by the name of *Narodnics*, and in English works on the subject have been christened as Peasantists.[2] According to their theory, capitalism has few chances ever to strike root in Russian soil. Eager to catch up with the rich capitalistic nations, Russia (or, according to the Narodnics, the Russian government and the Russian *bourgeoisie*) is making extraordinary efforts to transfer the foreign plant to Russian soil. To quote Voronzof, their spokesman:

> Russia, using the methods that have been worked out in other industrial countries, such as prohibitory tariffs, government subsidies to private *entrepreneurs*, the awarding of government contracts and other protective measures, will succeed in introducing large industry; but the latter's influence here will be of a different nature. Deprived of the conditions necessary for the development of capitalism, the latter will remain, as it has been, a guest, allured almost by force, not feeling itself at home, and, therefore, unable to exercise

[1] For more detailed and very interesting information on this subject, see Hourwich, Economics of the Russian Village (Columbia Studies in Political Science), pp. 33, 34.

[2] *Narodnic* means literally "Populist" (*Narod*-people). The name of "Utopian Socialists" would, in the writer's opinion, come nearest to expressing their profession of faith.

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here that enormous influence in all spheres of life which it exerts in the country of its natural origin and existence. Side by side with it will go on production on a small scale; and the national process of development of the social form of labor,[1] whose quiet, natural course has been only slightly disturbed by the invasion of large capital, will continue without interruption. The process of capitalistic development will be a very slow one, for the absence of an external market prevents it from unfolding its full power. All the experience and the enormous development of technique which it can get gratuitously from the West will be of little benefit to it for the same reason. And if the capitalization[2] of the house industry shall go on at the same slow pace, it is to be hoped that the whole process of development of the social form of labor will be directed along the national path, the path of coöperation (*artel*), where the workers toil not for the purpose of increasing capital, but for the satisfaction of their own needs — where production will have for its object, not its own unlimited expansion, but the saving of labor to the workers.[3]

This is, in a nutshell, the position of the Utopian Socialists in Russia, who hope to go back to the starting-point of the emancipation and, taking the rudder in their hands, to direct the ship of the Russian state to the shores of their fairyland.

Professor Isaief, in an article[4] on the development of Russian industry, summarizes the arguments of the Narodnics against the possibility of the future development of capitalism in Russia as follows:

(1) The impossibility of capturing the foreign markets, the latter being in the hands of the more progressive nations.

(2) The relative contraction of the internal market, since the more capitalism develops, the greater becomes the number of unemployed. In other words, capitalism not only has no chance to expand, but, on the contrary, undermines the ground which it already occupies. In the words of an authoritative writer of that school (Nikolai-on), "while capitalism grows fast, the gross product of the country is diminishing."

[1] By "social" form of labor the Narodnics mean the quasi-socialistic form of production, such as the *artel* and the village commune.

[2] I retain the word here in its Russian sense — that is, the transition from a lower form of production to a capitalistic form.

[3] V. V., "A Kind Critic," *Novoie Slovo*, April, 1896.

[4] *Severny Vestnik* (*Northern Messenger*), I, 1896.

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(3) Russian capitalism is the creation of a system of fostering banks and stock companies, in vogue for the last thirty years.

The proper course for Russia, therefore, they conclude, is to go back to the reforms of '61, to continue along the path marked out by history — that is, to base her national economy on its two corner stones, the commune and the *artel*.

Another Narodnic writer[1] regards as prerequisite to the growth of capitalism in any industry : (1) the possibility of the rapid circulation of capital ; (2) the application of complicated machinery. The first of these conditions is, however, unattainable in agriculture, since in the greater part of the civilized world only one harvest per year can be reaped ; while the second condition does not exist in Russian agriculture. These two facts combine to make the advent of capitalism in agriculture impossible, or at least very difficult, and enable the small farmer to carry on a successful struggle with the large owner. Capitalism has thus no future in Russia, an agricultural country *par excellence*, unless fostered by artificial means.

Around these questions rages the storm of economic discussion which fills the pages of the Russian magazines. In this theoretical controversy we find the Utopian Socialists confronted, on the one hand, by the writers of the historical school who favor the growth of capitalism, regarding it as an essential condition of progress, and, on the other hand, by the Marxists, who, recognizing the existence of capitalism and regarding the present system as a stage of transition to socialism, welcome it as a step forward. It was the Marxists who forced the discussion of the question, and it is they who are most active in keeping it up.

Closely connected with this purely economic question stands another of a more philosophic nature, which shares with the former the brunt of the journalistic war. On this the Marxists find themselves alone, in opposition to the other two schools. The point at issue is the historico-philosophic doctrine advanced

[1] Professor Yarotzky, "Two Sides in the Process of Economic Development," *Novoie Slovo*, IV, 1896.

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by Marx and Engels, known as the materialistic philosophy of history, or the theory of economic materialism. The theory, as is well known, reduces itself to the following propositions: (1) the economic conditions of a country — that is, the methods of production prevailing there, together with the mutual relations of the producers — constitute the foundation of the social organism, of which everything else, such as legal institutions, forms of government, science, and even religion, is merely the superstructure; (2) no form of society, no form of government, no system of production remains constant, while methods of production incessantly change in obedience to their own laws of development, and with them change the political, religious and other institutions of society.

Basing their contentions on this theory, the Marxists say that the present growth of capitalism is not the result of a conspiracy or of a "mistake" on the part of the government or of the *bourgeois* class (as the Narodnics claim), but is a necessary step in the process of the development of the country; that to try to stop its course and to turn back to the so-called historical path of the commune, *artel, etc.*, is like fighting windmills; that, instead of being progressive, the Narodnics are really a reactionary party. The latter, while admitting in part the truth of the two propositions stated above, deny that the law is universal, and claim that the peculiar conditions prevailing in each country — such as its history, its geographical position, the customs of its people, *etc.* — combine to exert a modifying influence on the course of its development. They assert that the capitalistic era is far from being a necessary stage in the course of the evolution of a nation. The growth of capitalism in England, for instance, they say, was preceded by the forcible expulsion of the agricultural population from the land it had occupied; and, but for that, as well as for the fact that wool raising happened to be more profitable than the cultivation of land, capitalism might never have come. Turning then to Russia, they triumphantly point to the letter of Karl Marx, written by him in 1877 in reply to a Russian critic, in which he said;

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If Russia will continue to follow the course she entered upon after 1861, she will lose one of the most favorable opportunities which the historical process has ever given to a people to avoid all the vicissitudes of capitalist development.[1]

In this they see an admission on the part of Marx that Russia might introduce socialism without going through a development of capitalism. Granting to the Marxists that, since the utterance of Marx, an interval of twenty years has elapsed, during which Russia has persistently continued in its dangerous "course," granting that the Russian commune has suffered great reverses, they insist that Russian capitalism has by no means captured all the important positions which would entitle it to the claim of victory. That Marx' law of evolution is not susceptible of universal application is well shown, they say, by the different forms of land-tenure in the countries of Western Europe. While in England large landholding is the predominating form, France is the classic land of small holdings, with less than one-third of the soil in the hands of large land-owners; while in Germany all the three forms — small, medium and large-sized holdings — manage to thrive side by side. This shows that if large capital may eventually succeed in driving out the small competitors in the domain of manufacturing, such is not, by any means, the case in agriculture.

But, even accepting the whole of Marx' theory, the question still remains as to the part played by the individual in the process of historical evolution. Do not the economic forces, which set society in motion, act through man and reveal themselves by their influence on man? If so, is it right to maintain that man is a mere plaything, rocked by the waves of the stormy ocean of history, left to the mercies of the blind forces of nature? Nay, would not a rational interpretation of the law enunciated by Marx also imply that

the forms of society are a product of the ideas and sentiments of men who take part in their creation, so that the mental and moral powers of man — partly given to him by nature, partly developed by preceding history, as well as by the degree of active participation in the

[1] *Juridickesky Vestnik*, 1888.

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process of evolution by various classes of the population, representing heterogeneous psychical types — are historical factors of prime importance?[1]

From this it is but one step to assert that

by making a systematic study of the social relations and embracing the isolated facts in a harmonious system, the intelligent class[2] is enabled to exercise an influence on the course of events which is at once systematic and conscious of its aims.

If the reader will take into consideration that the Narodnic has not as yet given up the hope that the *mir* has preserved enough of vitality to allow of its being resuscitated under "intelligent action," "conscious of its aims," the practical conclusion from these philosophic postulates will at once become apparent: the cultured class, standing above the plane of personal material interests, must devote its whole energy, must exert its influence in all spheres of life, practical as well as legislative, to further the development of the coöperative principle in agriculture and industry and to prevent by all means the triumph of individual enterprise, which leads to the destruction of coöperation and the development of capitalism. In the words of the most popular writer of this school,

there is another course [that is, another besides that of going through capitalism], much more difficult, it is true; but an easy solution of a question is not necessarily a correct one. This other course consists in the development of those relations of labor and property which already exist in reality, though in an extremely rude, primitive form. To be sure, this object cannot be attained without government interference on a large scale.[3]

Let us now see how these contentions are met by the representatives of the new school of Marxists, who are just now getting the ascendency in the field of Russian economics.

[1] Our Tendencies, by V. V., cited by Beltof, p. 3.

[2] The Russian term *Intelligentsia* is applied to a large class of people who have received a college or university education. The believers in this "subjective method in sociology" hope to see a radical reconstruction of Russian institutions which will be due to the enlightened activity and moral leadership of that class.

[3] N. K. Michailovsky, II, 102, 103.

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II.

The ideas and aspirations of the Narodnics were shared not only by their more conservative wing, which dominated the field of literature, but lay at the bottom of the program of the revolutionary party, "The Will of the People," which became so famous throughout the world for its energetic propaganda, as well as for the terroristic activity that marked the seventies and early eighties in Russia. The failure of that party to bring about practical reforms, notwithstanding the seeming success it gained in assassinating Alexander II, at first brought on a spirit of discouragement in the ranks of the revolutionists, as well as among all progressive people in Russia. The eighties are, therefore, marked by the despondency that found expression in the doleful form of Russian poetry, in the colorless writings of the times, in the deadly stillness of political life. It was evident that something was wrong, that the now blighted hopes of the Narodnics were based on erroneous assumptions. In 1883, in the midst of the chorus of wailing and despair on the one hand, and of the "triumphant grunting"[1] of the reaction on the other, a new note made itself heard: a little pamphlet, issued by the newly founded "Society for the Emancipation of Labor," boldly attacked the accepted views of the Narodnics, insisting that they needed a thorough revision and claiming that, as the whole earlier movement had been based on self-deceit, it was bound to end in failure. At first hardly listened to, then almost drowned in an outcry of indignation from those against whom it had been sounded, this note continued to swell in volume, until now it is heard throughout the land. It was in 1884 that George Plechanof, the founder of the new society and the author of the pamphlet, published a book, entitled *Our Controversies*, in which for the first time the views now expressed by the Marxists were clearly set forth, and the economic illusions of the "original" Russian socialists (Narodnics) were subjected to a remorseless criticism.

[1] Expression used by Russia's great satirist, Saltycof, when describing the triumph of reaction.

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The views there expressed slowly, very slowly, found their way to the minds of Russian readers; and to a casual observer they might have seemed to bear no fruit, until the silence was at last broken by the appearance of Struve's *Critical Observations*. This book at once created a sensation, and in a few months was no more to be found on sale. There was not a magazine, not a newspaper in Russia, but that devoted article after article to the questions touched upon by its author. Notwithstanding its great merits, the work could not find its way into a single one of the leading magazines for which it had been originally intended, so heterodox did the views expressed in it seem to the radical editors and leaders of public thought in Russia. It was this state of affairs that forced the author to publish the work in book form. The book owes its success to two facts: (1) that it appeared after the famine had broken out, when the question of the causes of the famine was still agitating the public mind; (2) to the contrast between the views set forth and those generally accepted, and to the fact that the new ideas were therein for the first time plainly expressed in the "legal" [1] press.

To begin with, Struve takes exception to the views of the subjective sociologists as to the all-powerful controlling influence exerted on the historical development of a nation by the ideals that may be entertained by its educated classes. While recognizing their importance in the history of mankind, he maintains that they are but the ultimate product of the economic conditions prevailing in the country at a given time, and that only those ideals which are in line with the natural trend of economic development are destined to triumph and to exert an influence on the minds of the people. But he irretrievably destroys whatever chances he might still have had to gain the ears of his opponents when he declares that, in his opinion, the advent of capitalism in Russia is not only inevitable, but decidedly useful, and that the *obshchina* [2] and

[1] By the "legal press" is meant in Russia all publications allowed by the government, in distinction from "illegal" publications, issued abroad or from secret printing shops.

[2] *Obshchina* and *mir* both denote communal landholding.

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koostar[1] industry are stumbling-blocks in the way of Russian progress.

Beltof's book, also, has been written in reply to the Russian school of sociologists, who believe in the "subjective method in sociology." It aims at establishing two propositions: (1) that a truly philosophic theory must be monistic, and not eclectic; (2) that the modern materialistic philosophy — or, as the author calls it, "dialectic materialism," as distinguished from the metaphysical materialism of the eighteenth century — is the only scientific system which grasps the intricate workings of society and explains its history. As limits of space forbid a discussion of the purely philosophic part of the controversy, suffice it to say that, after reviewing and criticising at length the various philosophic schools, from the materialists of the last century down to the idealism of Hegel, and after giving a very instructive and brilliant exposition of dialectic materialism, the author applies the principles thus established to the teachings of his opponents and comes to conclusions directly opposed to theirs. Thus, in his opinion, social relations do not constitute a product of conscious activity on the part of individuals, but, on the contrary, themselves influence the conduct and thoughts of the latter: "the development of society is subject to its own laws, that is, its nature depends just as little on the will and conscience of the people as do the geographical conditions of a country"; and, finally, at the basis of this development lie the economic conditions and relations of producers in society. In its practical application this theory teaches that the individual who strives to exert an influence on public affairs cannot achieve great success by trying to shape things directly according to his ideals: on the contrary, he must first study closely the history of the country, and watch carefully the forces that are at work in his own time, after which he may succeed in realizing his ideals to a greater or less extent, provided they are in line with the actual trend of development.

[1] *Koostar* industry is domestic industry in which are engaged peasants who till the ground as an auxiliary occupation. The Russian term is here retained in order to emphasize the distinction between this form and the house industry known in the civilized world, where the artisan appears divorced from agriculture.

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We shall see presently why that point has to be emphasized so strongly under the present circumstances in Russia.

Passing to the practical problems which the Russian "subjectivists" set before themselves, Beltof points out the very interesting fact that in all countries the beginning of the development of capitalistic production called forth loud outcries and attempts to prevent its further development. So it was, for instance, in Germany, where it was thought to be the mission of the educated class (*die Gebildeten*) to prevent the development of capitalism and to bring about the organization of industry on a coöperative basis. It was there that the believers in the all-powerful influence of the human will in social affairs asserted that it would be easy to "remove" capitalism; that German capitalism had no chance of development, since it undermined its own foundation by overstocking the market and reducing the purchasing power of the population; and that it was doomed to decay because it could not wrest the foreign markets from the English and French merchants. It is interesting to learn that Marx at that time asserted that Germany suffered not only from capitalism, but also from lack of it.[1] Now the conditions are the same in Russia. Our author makes effective use of this historical fact to show his Russian opponents that their "original" views, identical almost to a word with those of the German eclectics of fifty years ago, are an additional proof of the theory that similar economic conditions produce similar philosophic schools.

The controversy over the part played in history by the individual once settled, the next point at issue between the two warring schools in Russia is as to whether capitalism is developing in Russia, and, if so, whether this development is for the advantage of the nation. This question is dealt with in the other book, *The Theoretical Basis of Peasantism in the Works of Mr. V. V.* (Voronzof).

This work is divided into two parts. The first, a scathing criticism of the sociological and economic theories of Voronzof, must here be omitted for lack of space — without any serious

[1] *Cf.* Marx' preface to the first edition of Capital.

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loss to the American reader, let it be said; the second part deals with the practical questions of Russian economics. In the quasi-socialistic organization of Russian industry the two mainstays, which inspire the followers of an "original national economic policy" with confidence in a speedy realization of a socialist state, are the village commune (*mir*) and the house industry carried on by coöperation on a small scale (*artel*). Volgin has undertaken the task — and, in the writer's opinion, with great success — of waking the Russian public from its pleasant dreams, by bringing to bear upon it a powerful array of prosaic figures and hard facts, coupled with an irresistible logic and a clear, systematic exposition. The wealth of his material is remarkable, drawn as it is from most diverse sources: consular reports of Great Britain, bearing on the competition of Russian goods in foreign, especially Asiatic, markets; the numerous ponderous volumes of the Russian statistical bureaus; the vast literature on Russian agriculture and industry — all lend their aid in exploding theories that had been waiting for many years for a thorough, adequate revision.

Ever since the discovery of the Russian commune by the German Haxthausen, the erroneous notion has existed that it is a survival of the primitive clan organization: such, indeed, has been the theory of the Narodnics, accepted without question or doubt by nearly every one in Russia. The latest investigations, however, conclusively prove that the *mir* was nothing but a shrewd creation of governmental policy, introduced as a parallel to the institution of serfdom. Both of these measures had for their object the creation of a tax-paying class, which was to furnish the enormous means the government needed for carrying out its warlike foreign policy, and which was to support the nobility — originally a sort of military caste. The collective form of ownership at once made impossible any personal claim upon property on the part of the peasants, and thus accomplished two ends: first, it brought about the wholesale expropriation of the peasantry; secondly, it facilitated the process of wholesale enslavement of that class to the nobility and the state. All the peculiar customs of the *mir*, such as

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the redivision of land, are traced directly to ukases issued by the government in its own interest. Thus, in the seventeenth century, under Tsar Alexis (father of Peter the Great), a peasant was very severely punished when caught trying to dispose of part of his land, which was used as a basis of taxation. This policy was kept up as long as there was a vast quantity of unoccupied land. But as early as the eighteenth century, when land became rather scarce and the growing needs of the government made a reform of the old system of taxation imperative, the policy of the government with respect to the inalienability of land was reversed. To get at the large number of peasants who had, or pretended to have, no land, a poll tax was introduced in place of the old land tax; and, as it was clear that the peasant's only source of revenue was land, the government assumed the duty of providing every person with it. The old occupants were told, despite their protests and petitions to the contrary, to divide their land with the "landless" peasants. In several localities the peasants tried to resist the new measure by force; but the riots were promptly, and not without great cruelty, put down, and the new order of things — the periodic redivision of land — gradually became part and parcel of the system, only later to mislead the "original" Russian socialists, who see in the custom additional proof of the socialistic nature of the *mir*.

The emancipation of the peasants left the latter with the old *mir*, as the government saw clearly the value of the institution, which made the village as a whole responsible for the taxes of all of its members. But no matter how useful this arrangement might have been under old conditions, says Volgin,

> this economic policy has, in the long run, brought about results which it is rather queer to idealize. It put the landholder in the same position in which we find him in Egypt, and finally has come to be the greatest obstacle to the development of those productive forces from the lack of which the Russian state has been suffering so long.

The transition from a natural to a money economy, with the possibility of renting additional land from former masters,

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very soon changed the disparity in the number of members into a disparity of wealth among households; and has tended further to intensify whatever differences in strength, solidity and resources the peasants started with after the great reform. As early as the beginning of the eighties, quotes our author from an authoritative Narodnic writer,[1]

> three groups have clearly differentiated from the mass of the peasants: (*a*) rich owners of considerable capital, which they accumulated by individual enterprise outside of the commune (such as usurers, wholesale dealers, contractors, large landowners living in the commune, *etc.*); (*b*) shrewd, enterprising farmers, — genuine commune folk, well-to-do, — whose exclusive aim is the accumulation in their own hands of as much of the allotted and rented land of the *mir* as possible; (*c*) the free proletarian of the commune — the "horseless," the "homeless," the laborers, *etc.*

Unable to till their own farms, small as they are, the poor, the members of the third group, rent it out to those of the second; the latter, as a rule, fix their own prices, and often engage the same peasants to work for them as hired laborers on their own land. Not unfrequently the latter, to escape the necessity of paying taxes, are glad to give away their land. A law allowing the peasants to sell their individual allotments would, therefore, prove a great relief to the poorest members of the commune, who could in that way realize some money for their land and cease paying taxes "for nothing"; for, under the existing conditions, we find many peasants who work in town parting with a share of their earnings to pay the tax on the land that lies idle. While it is natural for the government — out of narrow, one may say suicidal, fiscal considerations — to persist in retaining the law, we find the Narodnics, who profess such tender solicitude for the welfare of the peasant, strenuously advocating the obnoxious law, for the reason that its repeal would remove the last prop which keeps the *mir* from tumbling to pieces. The old quasi-socialistic institution has turned into a curse to the poor and an obstacle to the economic development and technical improvements in Russian agriculture.

[1] Zlatovratsky, The Peasant Commune, p. 45.

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The well-to-do peasant is prone to invest his money in buying land from outsiders (the neighboring landowner, for example), or to take a long lease on such land, paying much more than he would give his poor fellow-villager, rather than to rent from the latter; for in the former case he can venture on making improvements, feeling perfectly sure that he will reap the full fruits of his sacrifices, while he lacks such security when he improves the allotment of a poor member of the commune who may at any time reclaim his land.

While the disadvantages of the commune thus fall with their full weight on the shoulders of its poorest members, its advantages are reaped only by the rich. The first advantage is derived by the members of the first group, the usurers, who make good use of the power their money gives them over such of the poor peasants as still keep up the culture of their own allotments. The opportunity for such exercise of power generally comes about twice a year, during the collection of taxes and at sowing time, when the peasant, hard pressed for money or seed, is willing to pledge anything to save his household from the auction block and his body from flogging. Within a few years the peasant who once gets into the nets of such a benefactor is usually turned into a homeless proletarian. Another advantage which the well-to-do derive from the commune is the renting of "outside" land on a coöperative basis — with the exclusion, however, of the poor peasants. The latter, being unable to put up the necessary cash and to provide working cattle and agricultural implements on equal terms with their more fortunate neighbors, are forced to rent land, if at all, individually, on terms far less favorable. Having no money, they rent the land on the metayage system, giving away as much as half of the product to the owner of the land. How large is the number of those who are unfavorably affected by the present order of things can be seen from the following figures. The number of peasants having no cattle at all constitutes twenty-five per cent of the peasant population of European Russia, while those having only one head of working cattle constitute over twenty-seven per cent, making a total of over fifty-two per cent of

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peasants with ruined households. These figures, furthermore, based on data collected during the eighties, must be considered too low for the present, since the famine and the years following it have done much to hasten the process of disintegration of the mass of the peasants.

In the light of these figures the periodic redivisions of land lose all of their value; for, practically, they do not change anything, weak households being unable to take up more land, and often shrinking from it as an additional burden, while the rich take up all they need of the allotments of the poor. The large villages may now with greater truth be said to represent communes of landowners rather than of land-tillers.

> In these villages the land of some seven hundred people is often in the hands of thirty individuals, who engage at harvest time whole armies of laborers. The real, legal owner is in the meantime working somewhere for wages or has gone a-begging.

The village meeting, which used to be a truly républican institution, where every peasant had the right of speech and vote, and where all the important affairs of the commune used to be settled, has now degenerated into a gathering of the village politicians — the usurer, the saloon keeper and the few rich peasants. The poor vote as ordered by the rich. The latter have ample means at their command to break the obstinacy of a poor devil in case of need, not to speak of the powerful *vodka*, whose magic influence is generally felt on such occasions. It is the interest of this class of well-to-do farmers, who get along very nicely, commune or no commune, and who constitute a minority of the peasant population, that the Narodnic has now come to represent. The same can be said of nearly all measures that have been proposed by the Narodnics. Like the American Populists, they demand the establishment of a government bank for advancing loans to peasants. The measure has been carried out; but, instead of helping those for whose supposed benefit the bank was created, it has proved to be an aid to the rich in their work of absorbing the communal land. Possessing more property, they can borrow more money from the bank at a

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low rate of interest and then lend it to the poor at usurious rates; for the poor, having but little to give as security, cannot get enough money from the bank. From an ultra-radical party the Narodnics who still remain such are fast degenerating into reactionaries. Their opposition to capitalism, born of a desire to prevent the possible formation of a proletarian class in place of small property holders, has turned into an opposition to progress — into a defense of the interests of the property holder against the already existing class of proletarians.

If such is the conclusion drawn by the author from the review of the present state of the commune, his investigation of the house industry and of the *artel* serves but to confirm it. To begin with, the *koostar*, according to Voronzof's own statement, has the advantage over the town producer in being able to put the price of his goods below their normal value, since he gets the means of subsistence from his patch of land. This statement, our author says, is equivalent to the admission that the "independent" producer is the main factor in keeping down to the lowest possible limit the remuneration of the wage-workers, as well as in deteriorating the economic condition of the *koostar* himself. The only class of people who directly benefit by it are the wholesale buyers, whose relations to the small producers correspond somewhat to those of the American clothing manufacturer to the "sweater." If the *koostar* can thus successfully compete with the city artisan, the only effect his competition has on the large producer is in the introduction of improved machinery, against which it becomes more and more difficult for him to compete.[1] He thus indirectly hastens the progress of the large industry to which the Narodnic is so bitterly opposed. If the *koostar* himself has to be satisfied with an income equal to the difference between the minimum the town artisan can sell for and

[1] Since this article was written (in August, 1897), a very able article on the same subject, by Mr. W. G. Simchowitsch, has appeared in the November issue of Conrad's *Jahrbücher für Nat. Oek. und Stat.* The reader will find there additional data on the subject of the growth of large industry. The article is entitled "Sozial-ökonomische Lehren der russischen Narodniki."

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the value of the food products he gets from his land, it is evident that his employee, the village proletarian who has no home to work in, has to fare a great deal worse than the workers employed by the hateful capitalists. Such, indeed, is the case; and their condition, both as to remuneration and sanitary regulations, appears, from his book, to be really appalling. This is, moreover, due to the fact that the factory regulations cannot be enforced in the case of the village industry, owing to the wide area over which it is scattered and the greater submissiveness of the employees working in isolated, out-of-the-way spots. It is this form of industry, thought to be a purely Russian product, that is to save Russia from the scourge of capitalism.

The two main arguments urged by the Narodnic in favor of the *koostar* industry are: first, that under the latter every worker may become an independent producer; and, secondly, that it is specially adapted for the formation of *artels*, the development of which must ultimately lead to the triumph of a socialistic organization of industry on a national scale. Having shown how unenviable is the condition of the *koostar*, as compared with that of the factory employee, and how totally dependent this "independent" producer is on the whim and mercy of the wholesale buyer, the author proceeds to analyze the actual condition of the *artel*. According to the spokesman of the Narodnics, the operations of the *artel* reduce themselves to the following:

(1) The existence of the family *artel* and temporary coöperation of *koostars* under the time-honored form of "help."

(2) Coöperative buying of raw material and joint selling of the finished product.

(3) Joint use of workshops and implements.

(4) Productive coöperation in various branches of industry.

Comparing this statement with the facts furnished by statistical investigations and the observations of well-known writers, Volgin comes to the following conclusions:

(1) The so-called family *artel* turns out to be nothing but the participation by the wife and children in the work of the

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head of the family — a well-known, rather lamentable phenomenon present in every country where house industry or the sweating system are in vogue. As to temporary coöperation, it takes place in the wagon industry and kindred occupations where the work of bending the wood is done by hand and requires the participation of five or ten persons ; and even this form of coöperation is confined to poor, small families which have neither men enough to do the work themselves nor sufficient money to hire labor. Professor Isaief, who made a special investigation of this subject, brings a mass of facts to support this statement and shows that, wherever coöperation exists, it is in but a feeble form, mainly for the attainment of some immediate end; that its membership is confined to two or three men; and that it is found in the most backward industries, requiring no application of instruments and, consequently, no investment of capital.

(2) Coöperative buying, requiring the employment of ready cash, is in its very nature confined to the more fortunate *koostars*, generally employers of labor, corresponding to American "sweaters." Its only result is to enable these to compete more successfully with other producers, and thereby still further to widen the gulf between them and the poorer members, who are ruined and turned into wage-workers. It is the same as with the coöperative renting of land by well-to-do peasants who crowd out the poorer members of the commune : that is, "the more such coöperations grow and the more useful they prove to their members, the worse it will be for the old order of things" which the Narodnics defend, for it leads directly to capitalistic enterprises and money operations.

(3) The joint use of workshops and implements has been shown to be an argument against, rather than for, the assertions of the Narodnics. This practice is confined mainly to members of large families, remnants of the type once so common among the Russian peasants. Those families which still happen to possess in common one house work under one roof, but each group for itself — a mark of growing dissolution, rather than of concentration.

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(4) Productive coöperative bodies, as stated before, are met with in backward industries; but even there are insignificant, as may be seen from the following example quoted by Voronzof as the best practical proof of the vitality of the Russian *artel*. Out of eighty-eight pitch and tar works in a certain locality in the province of Perm, nineteen belong to *artels*, of which sixteen include two men each and three have three men each, making in all forty-one persons! How reasonable it is to expect these giants to thwart the growth of that foreign system of production, capitalism, the writer leaves to his readers to infer. What is far more interesting is the fact that these coöperative unions of two or three men have recourse to hiring labor at the first opportunity and thus "become tiny coöperative unions of employers. The independent factor in the economy of the people (as the *artel* is called by the Narodnics) is fast becoming a capitalistic institution." A famous *artel* which, from the very fact that it has prospered, has attracted considerable attention in Russia, has proved on closer examination to be nothing but an organization of workers, who collectively take orders for work from a large factory, enabling the latter to dispense with expenses of superintendence, maintenance of establishment, *etc.* It is thus doing the work of the contractor in the clothing industry in this country; and, besides, it cannot be called an independent productive coöperative body, since it is not producing for the market and does not assume any risk of undertaking. Some *artels* of this sort are nothing but small stock companies employing as much labor as they can. The poorer artisans, being no longer able to compete with them, are compelled to become their employees. "What are these *artels*," questions the author, "bulwarks against or embryos of capitalistic production?" After all, the much vaunted "original" Russian institution turns out to be an infinitesimally small thing, as compared with the coöperative enterprises — in exchange, consumption and even in production — of the capitalistic countries of the "rotten West." After showing what destructive effects the *koostar* industry has on agriculture in general, and on the system of communal landholding

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in particular, the author summarizes this part of his investigation under these two heads: (1) Peasants who are obliged to devote a considerable portion of their time to industrial work necessarily neglect their land and cultivate their allotments in the most primitive manner. (2) Receiving partial support from their land, they are enabled to sell products manufactured with the use of most primitive tools, and involving an enormous waste of time and labor, at prices which lead to a most deplorable condition of these "independent" producers.

"To speak of the good effects of the house industry on agriculture means utterly to disregard that mass of homeless peasants which is increasing more and more at present." Only by "idealizing the small bourgeois of the village can you totally ignore the lot of the masses." "We are suffering not from the development of capitalism, but from an insufficient development of it." Such are Volgin's conclusions; and he supports them by comparing the average earnings of the independent weaver with those of the factory weaver. The former makes from six to six and a half rubles a month;[1] while the latter makes from twelve to fourteen rubles, or more than double, besides other advantages the latter has over the former — as, for example, the absence of the truck system, better sanitary conditions (as proved by comparative tables of mortality), more cheerful social surroundings, greater opportunity for gaining some education for himself and his children (as shown by tables of illiteracy in the respective districts), *etc.* In conclusion, Volgin points out that only such industries remain so far uninvolved in the capitalistic process

> as require the most insignificant means of production. But wherever the necessity arises for enlarging them, as soon as *capital* enters upon its rights, it leads to all the inevitable *capitalistic* consequences. . . . The gradual displacement of the *koostar* industry by other more perfect forms of production is a progressive phenomenon which best agrees with the interests of development and welfare of the individual in society.

[1] The purchasing power of a ruble is nearly equal to that of a dollar in the United States.

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III.

It is a most singular fact that in Russia the first able writers to point out the beneficent effects of capitalism, and to study its history and the part it has played in the development of the country have been the followers of Karl Marx. The great influence of the latter is so strongly felt in all parts of the field of Russian economic literature that it can hardly be overestimated. Both the advocates and the opponents of capitalistic development in Russia regard him as their spiritual father; and both try to show that theirs are the right conclusions to be drawn from the principles established by the master. It is no exaggeration to say that of the leading magazines fully two-thirds are avowedly socialistic in their tendencies, though only one clings strictly to the Marxian program.

Among the articles which have appeared in that magazine one deserves a brief review here, because of its pertinency to the subject under consideration. This article, entitled "The Historic Rôle of Çapital in the Development of our Koostar Industry," gives some of the main conclusions which the author, Mr. Tugan-Baranovsky, has derived from the study of the economic history of Russia. He has made the remarkable discovery that the house industry of the peasants owes its origin to capitalistic enterprise, whereas until now the general opinion has been that the development was in the opposite direction. He takes up one industry after another, traces the history of its development for one or two centuries, and in every case[1] finds that the factory precedes the house industry. The latter, he concludes, passes through two sub-stages, which he designates by the German names *Lohnsystem* and *Kaufsystem;* and, finally, the cycle is completed by a development in the opposite direction and a return, in our time, to the factory system.

The reason for the strange order of development which characterized the first half of the cycle during the eighteenth and the first half of the nineteenth centuries is that the fac-

[1] Except a few, constituting a special category, which we cannot discuss here. All these points are fully elaborated in his forthcoming book on The Russian Factory in its Historical Development.

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tories of that period had no advantage over the small producers in point of technical improvements. The large capitalists (mostly foreigners) generally took the initiative in starting new industries for the supply of distant markets. At first the peasants of the neighborhood worked in the factory; but very soon the employer found it to his advantage to give out the work to the peasants to be done by them at home, thus saving a considerable expense for administration, maintenance, *etc.* As a rule, however, while the industry was in this stage of extensive growth there was a great demand for its product, and consequently for labor, and the number of people acquainted with the trade was as yet small. Under these circumstances the peasant very soon found that it was advantageous to invest his savings *in buying raw material* for himself and in selling the product on the local market: that is, the house industry became a *koostar* industry, the *Lohnsystem* changed to a *Kaufsystem*, the factory was swallowed up by the workshop. This has been the history of every industry the products of which were not intended to supply the wants of the peasants — such as the weaving of cotton, wool and silk, and the manufacture of galloons, fringes, cartridges, toys, gloves, brushes, beaver hats, *etc.* The same process took place in the smaller metal industries — such as the manufacture of knives, locks, nails, *etc.* To conclude from this fact, however, that capitalism cannot strike root in Russian soil would, according to our author, be too rash. The factory could not hold its own in the struggle with the small producer, in spite of government protection and friendly legislation, so long as it had no economic advantages over its competitors.

Who would have thought [exclaims the author] that the struggle of large and small production in Russia during the period of servitude had such a different aspect from what it has now. Manufacturers appealing to the government for protection from the onslaught of the *koostar* — is it not a spectacle to which we are quite unaccustomed?[1] But the introduction of machinery and steam power

[1] *Novoie Slovo*, April, 1897, p. 13. The reader will notice that Tugan-Baranovsky is speaking here of capital in large industry, while Volgin has shown us the modern evolution of capitalistic production in the small industry itself.

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has turned the tables in the game. The small producer is now no more able to compete with the machine product, and the market has been captured by the large manufacturer. Accordingly, we hear appeals for protection coming now from opposite quarters.

Is this a progressive process, or are we to deplore the downfall of the independent producer in his struggle with the large factory? In answering these questions the author shows that the small producer is far more at the mercy of capital than is the factory employee. Production is no more carried on for the local market; and the *koostar* has no way of disposing of his product, except through the local wholesale buyer, who knows how to take advantage of the helplessness of the *koostar* — of his ignorance and poverty, and of his total dependence upon himself. The downfall of the small producer in Russia means a change from commercial capitalism to industrial capitalism; but capitalism it was, and capitalism it will be in the near future. Of the two, however, the latter is by far to be preferred; for it means industrial progress, growth — both extensive and intensive — of the productive powers of the nation and progress in all other spheres of life, as can be seen from the history of every country in the civilized world. But the triumph of capitalism in Russia means more for the latter than it did for the countries of Western Europe. While

the disappearance of the old-time craft in Western Europe was an undoubtedly progressive phenomenon, it is quite natural for that school of economists in Western Europe which is inclined to social romanticism to grieve over the ruin of the guild system and small production. The figure of the guild mechanic can easily inspire sympathy and regret. But let us turn to Russia. Our leading economists, sociologists and publicists have long ago accepted as an undoubted truth that if capitalism has any social historical mission to perform, it is purely negative. Capitalism in Russia merely destroys, but does not create anything — this is repeated by Messrs. V. V., N — on, and several others. After all that has been said here, it is easy to see that this view of the civilizing mission and the part played by our capitalism is based on utter ignorance of Russian industrial history and blind application to our conditions of the scheme of European development.

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In the West, capitalism, while a potent progressive factor, had at the same time destroyed the social system based on the prevalence of small, independent production. One may grant that the old system had some sympathetic features, and in its best epoch secured a certain degree of prosperity to the small producer. In Russia we see nothing of the kind. Our small production, as we have tried to show, is to a very large extent the product of that very same capitalism, whose creative mission our economists have failed to perceive. The civilizing influence of capitalism in Russia is, therefore, still more important than in the West. Our factory sprang up, not from the ruins of handicraft, but, on the contrary, had itself been instrumental in creating new trades and handicrafts. The village industry of Muscovite Russia, fully subjected to the buying trader, bears no resemblance to the town industry of the West, just as our peasant *koostar* of that epoch, the serf of the landlord or of the state, but little resembles the liberty-loving citizen of the guild epoch. For that reason not even the social romanticists in Russia ought to regret the past. The development of capitalist industry means with us, not the substitution of one sort of culture for another (as in Western Europe), but the transition from non-culture to culture; and therefore the mission of capitalism in Russia not only was not "purely negative," but, on the contrary, here, more than anywhere else, it is clear what an important factor in industrial progress, in the rise of the productivity of national labor, the capitalistic factory and large production have come to be. . . . We are far from forgetting the several negative results accompanying the development of capitalism in Russia, as well as in Western Europe. But we insist that to see only these negative results and to forget the civilizing influence of capitalistic industry means not to understand the trend of all modern economic and social evolution.[1]

With these remarks the author closes his highly instructive article. They reveal to the American reader the content of the question, the influences now shaping Russian parties in politics and in literature, and the philosophic spirit which imbues the Marxist school.

Here are presented the chief points at issue in the present controversy between the Russian economists; the near future — if not the present — will show conclusively on whose side

[1] *Loc. cit.*, p. 32.

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the truth lies. The most interesting feature in this whole discussion, however, is the remarkable influence which is exerted in Russia by Marx. The Narodnics as well as their opponents, the Marxists, rely mainly on Marx as their authority, so far as authority is recognized, and both look with confidence to the future for the triumph of socialism. Perhaps the best illustration of the interest with which Marx is read in Russia, and of the influence which he exerts there, can be found in the facts that the first translation of the first volume of *Capital* appeared in Russian in 1870, sixteen years before the appearance of the English version; that, according to Marx's own statement, the best and earliest criticism of his work appeared in the Russian press;[1] that, while the second volume remains still unknown to English readers, its Russian edition came close upon its appearance in German in 1885; and that, while the third volume has not been translated as yet into any other language, the Russian edition is nearly exhausted. What influence all this will have on the ever-present companion of capitalism — the labor movement — it is not easy to foresee.

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[1] See preface to second edition of Capital.

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DISCOUNT RATES IN THE UNITED STATES.

THE price paid for loans upon commercial paper, or the discount rate, in any business community, appears to be determined mainly by three factors — the demand for such discounts, the supply of capital available for the purpose and the degree of security peculiar to the paper offered for discount. An idea of the relative security of the paper bought in the different money markets of a country, combined with a knowledge of the respective discount rates obtained in those markets, ought to make possible some judgment as to how nearly its monetary and credit institutions meet the ideal requirement — namely, that loanable capital be so distributed among the various commercial centers that the country as a whole may form but a single money market, with prices and facilities practically uniform in all important parts. It may be assumed that the volume of discounts demanded, other things being equal, will be larger, though probably in varying degree, when the discount rate is low than when it is high. And it may as safely be assumed that bankers and other lenders will unfailingly keep their rates at the point where the demand for discounts is restricted to that amount of capital or credit which they can prudently engage. Thus the question of the exact volume or extent of the demand for discounts at any one place or at a given rate can hardly be considered essential. Without reference to this matter, therefore, it is proposed to devote the following pages to a study of discount rates in various American cities, for the purpose of forming a judgment upon the distribution of loanable capital in the United States.

I.

The most accessible, and probably the most reliable, statistics of rates of discount and of interest on money lent on time and at call, in different cities of the United States, are those reported by the correspondents of *Bradstreet's* and published in the weekly issues of that journal. The figures for discount

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rates, wherever they may have been collected, apply only to first-class double-name commercial paper. This fact practically eliminates the question of security, and makes unnecessary, except as incidental to other points, further discussion of the character of the paper quoted. To be sure, banks frequently grant loans against other securities, sometimes of a quality inferior to paper of this sort. But reports to the comptroller of the currency on October 5, 1897, show that the national banking associations, then doing about 70 per cent of the discount business of the country, had lent 43.2 per cent of their total loans and discounts "on time" against "paper with two or more individual or firm names." Only 20.5 per cent had been lent "on time" against "single-name paper without other security," or "on demand," against "paper with one or more individual or firm names." The remaining 36.3 per cent of loans and discounts were protected by collateral, and involved risks, presumably no greater, and probably in many cases less, than the discount of good two-name commercial paper.

PERCENTAGE OF "LOANS AND DISCOUNTS" MADE BY NATIONAL BANKS

	"On time," against "paper with two or more individual or firm names."					"On demand," against "paper with one or more individual or firm names" and "on time" against "single-name paper (one person or firm) without other security."				
BANKS IN	Oct. 3, 1893	Oct. 2, 1894	Sept. 28, 1895	Oct. 6, 1896	Oct. 5, 1897	BANKS IN	Oct. 3, 1893	Oct. 2, 1894	Sept. 28, 1895	Oct. 6, 1896	Oct. 5, 1897
New York, Chicago and St. Louis	% 35.6	% 32.4	% 33.3	% 33.0	% 28.8	New York, Chicago and St. Louis	% 14.7	% 16.4	% 16.9	% 17.0	% 18.2
Other Reserve Cities	46.2	42.2	41.7	42.9	39.6	Other Reserve Cities	19.7	20.4	22.1	20.9	22.4
Total Reserve Cities	42.6	37.5	37.2	38.3	34.2	Total Reserve Cities	17.5	18.5	20.5	19.1	20.3
Country	56.7	56.2	55.9	54.8	53.8	Country	19.0	19.9	20.5	20.2	20.7
United States	50.2	46.9	46.8	46.8	43.2	United States	18.0	19.2	20.5	19.7	20.5

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ty-three leading commercial cities of the United States for the years 1893–97;
3, 1894, 1895, 1896 and 1897 (compiled from *Bradstreet's* reports);
opulation as reported in the Eleventh Census of the United States, 1890;
he total clearings in each during the year 1897;
es which had clearing houses in 1897;
upon lots in the counties in which the cities are situated during 1880–89;

Average Discount Rates						Mortgage Interest	
(*a*)	(*b*)					(*f*)	(*g*)
1893–97	1893	1894	1895	1896	1897	1880–89	1889
%	%	%	%	%	%	%	%
3.832	5.278	2.769	3.197	4.927	2.990	5.18	5.03
4.412	6.730	2.903	3.557	5.403	3.466	5.40	5.18
4.567	6.115	4.624	4.	4.	4.096	5.82	5.78
4.602	6.091	3.432	4.062	5.721	3.706	—	—
4.642	6.158	3.466	4.317	5.576	3.692	5.42	5.38
4.982	6.125	3.817	4.653	6.076	4.240	5.78	5.72
5.012	5.884	4.603	4.836	5.615	4.125	6.02	5.95
5.740	6.490	5.240	5.336	6.548	5.086	6.43	6.33
5.838	5.942	5.288	5.961	6.	6.	5.87	5.75
5.853	7.019	4.980	4.769	6.500	6.	7.28	7.13
5.903	6.653	5.384	5.250	6.230	6.	6.21	5.92
6.	6.	6.	6.	6.	6.	—	—
6.	6.	6.	6.	6.	6.	—	—
6.007	6.115	6.	6.	6.	5.923	5.75	5.73
6.103	7.480	5.980	5.384	6.250	5.423	—	—
6.216	7.115	5.807	5.942	6.	—	6.88	6.61
6.276	6.980	6.115	6.	6.288	6.	6.32	6.19
6.369	7.153	6.692	6.	6.	6.	6.38	6.23
6.376	7.	6.884	6.	6.	6.	6.37	6.24
6.415	7.	6.230	6.	6.846	6.	6.76	6.64
6.607	7.615	7.692	6.	6.346	5.384	7.37	7.07
6.673	8.	7.653	5.961	6.	5.756	—	—
6.826	7.038	6.403	6.788	6.942	6.961	6.01	5.93
6.903	7.576	6.980	6.5	7.211	6.250	7.47	7.04
6.911	6.903	6.269	6.538	8.	6.846	7.68	7.22
6.969	6.846	7.	7.	7.	7.	—	—
7.026	7.134	7.	7.	7.	7.	—	—
7.057	7.288	7.	7.	7.	7.	—	—
7.253	7.961	7.019	7.	7.384	6.903	—	—
7.311	7.019	7.	7.	7.538	8.	—	—
7.957	7.788	8.	8.	8.	8.	—	—
7.980	8.	8.	8.	8.	7.903	7.71	7.28
7.992	8.	8.	8.	8.	7.961	—	—
						—	—
						—	—
8.	8.	8.	8.	8.	8.	—	—
						—	—
						—	—
8.015	8.076	8.	8.	8.	8.	—	—
8.342	8.788	7.576	8.423	8.923	8.	—	—
9.273	10.	9.365	9.	9.	9.	—	—
9.969	10.	10.	10.	10.	9.846	—	—
10.	10.	10.	10.	10.	10.	8.34	7.71
6.163	6.403	6.269	6.144	6.	6.	—	—
5.673	6.250	6.105	6.	5.278	4.730	—	—

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TABLE SHOWING (*a*) the average weekly rate of discount in for
(*b*) the same rate for the individual years 189
(*c*) the rank of the same cities according to p
(*d*) the rank of the same cities according to t
(*e*) the total clearings in each of the same citi
(*f*) the average rate of interest on mortgages
(*g*) the same during the year 1889.

Pop'l'n		Clearings		A
(*c*)	(*d*)	(*e*) Millions of dollars		
5	2	5,095.6	1	Boston, Mass.
1	1	33,427.0	2	New York, N. Y.
6	7	795.6	3	Baltimore, Md.
28	25	112.3	4	Hartford, Ct.
3	4	3,222.8	5	Philadelphia, Pa.
20	16	266.7	6	Providence, R. I.
8	9	626.7	7	Cincinnati, Ohio
2	3	4,575.6	8	Chicago, Ill.
12	6	819.6	9	Pittsburg, Pa.
11	11	415.9	10	New Orleans, La.
4	5	1,366.7	11	St. Louis, Mo.
36	30	69.1	12	Portland, Me.
23	24	116.3		Richmond, Va.
10	20	211.6	13	Buffalo, N. Y.
26	26	95.3	14	Memphis, Tenn.
7	8	751.2	15	San Francisco, Cal.
14	17	251.6	16	Milwaukee, Wis.
22	19	234.2	17	Indianapolis, Ind.
9	14	317.4	18	Cleveland, Ohio
13	15	302.9	19	Detroit, Mich.
18	21	197.7	20	St. Paul, Minn.
24	33	55.1	21	Nashville, Tenn.
16	13	321.6	22	Louisville, Ky.
15	12	414.5	23	Minneapolis, Minn.
19	10	539.8	24	Kansas City, Mo.
29	31	67.3	25	St. Joseph, Mo.
27	—	—	26	Charleston, S. C.
30	32	62.5	27	Los Angeles, Cal.
38	—	—	28	Duluth, Minn.
40	—	—	29	Galveston, Tex.
39	—	—	30	Mobile, Ala.
17	18	243.3	31	Omaha, Neb.
33	22	127.7	32	Savannah, Ga.
25	29	72.0	33	Atlanta, Ga.
42	36	20.9		Birmingham, Ala.
41	—	—		Houston, Tex.
31	28	74.1		Portland, Ore.
32	27	77.6		Salt Lake City
43	—	—	34	Little Rock, Ark.
35	—	—	35	Dallas, Tex.
37	35	28.9	36	Tacoma, Wash.
34	34	36.2	37	Seattle, Wash.
21	23	124.4	38	Denver, Colo.
				Montreal, Quebec.
				Toronto, Ont.

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Figures for securities which thus closely correspond to that class of paper which forms the largest single item in the loans and discounts of the national banks, and probably of other banking establishments as well, are not only significant and representative in high degree, but are also as useful for the present inquiry as if compiled especially for it.

From *Bradstreet's* reports, therefore, has been prepared a table showing: (1) the average weekly rate of discount in forty-three of the principal commercial cities of the United States for each of the years 1893 to 1897, inclusive; and (2) the average weekly rate in each of the forty-three cities for the period 1893 to 1897. For years prior to 1893 we have reports from only a few of the cities; to 1889 the series is complete for only fourteen of the cities included in the present compilation. The results for the period 1889 to 1892, so far as the smaller number of cities permits a comparison, do not, however, differ radically from those obtained by averaging rates for the years 1893 to 1897, inclusive. It will serve our purpose, therefore, to employ as the basis for this discussion merely the averages obtained for the several years 1893 to 1897 and for the entire period of five years.

The table, as thus constructed, — together with certain other figures, showing the clearings for 1897 in those cities which then had clearing houses; the relative position of the cities when ranked according to total clearings in 1897 and according to population in 1890; and the average rate of interest during the decade 1880–1889 and during the year 1889, on mortgages of town and city lots in the counties in which the cities lie, — is presented on the inserted sheet facing this page.

It should be remarked that the averages have been compiled, in every case, from the lowest rates quoted for the discount markets of the cities in question. In a majority of the reports there appears a second rate, higher than the lowest by one-half to one per cent in the Eastern cities, and by one-half to two per cent in towns of the West, the South and the Pacific slope. This higher figure may be held, on the one hand, to indicate the limit of the heavier discount charged upon bank-

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able paper somewhat poorer than the best in a market, the basic rate of which is stationary. In other words, one may interpret the margin of one-half to two per cent as a measure of the extent to which rates of discount for securities belonging to the same general class of commercial paper were lower or higher, according to the origin of that paper, the time it had to run and sundry other considerations. On the other hand, the two rates may be construed as the limits between which the market moved during the week covered by the report. Saving the qualification prompted by the persistent appearance of the second rate in cities where the lower rate has ruled unaltered through long periods, this second explanation is usually the better one; for the only sort of paper which *Bradstreet's* attempts to quote is first-class, double-name paper. Under the first construction, we may not suppose that the lower rates were charged upon all varieties of first-class commercial paper, or, under the second, that they were accorded throughout the period covered by each report. In either case, the use of minima in the computation gives averages which are somewhat less than the truth. Some such fault, however, is peculiar to all averages of prices for which the reckoning fails to include not only all prices, but also the time for which they endure.

Another point to be noted is the impossibility of averaging the descriptions of the markets — such as close, tight or stringent; easy, dull or active — which the correspondents append to their reports upon the price of money on time, and the consequent failure of the compilation to reflect, in all its shadings, the average condition of the market. But this last, in common with the other sources of error, is as likely to affect the figures for one city as those for another. It may well be that the average discount rate for each of the forty-three cities, as here computed, is lower than the average rate which might be determined if more elaborate data were accessible. Yet the arithmetical differences between the rates in the various cities of the country would not necessarily be affected. Inasmuch as the present inquiry is concerned, not with the absolute height, but rather with the variations in the

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height of discount rates at various centers, it seems permissible to regard the compilation as representative, and to use the figures as they stand, at least for purposes of comparison.

The most superficial inspection of the averages presented in the table reveals local differences in discount rates so wide that they must seem to many astonishing and inexplicable. For six cities — Boston, New York, Baltimore, Hartford, Philadelphia and Providence — there is shown an average rate for the five years, 1893 to 1897, of less than five per cent. For five more, namely, Cincinnati, Chicago, Pittsburg, New Orleans and St. Louis, — two of them among the greatest of all our cities in point of population, — we have rates ranging from 5.012 per cent in Cincinnati to 5.903 in St. Louis. In Portland, Me., Richmond, Va., Buffalo, Memphis, San Francisco, Indianapolis, Milwaukee, Cleveland, Detroit, St. Paul, Nashville, Louisville, Minneapolis, Kansas City and St. Joseph, the rate is between six and seven per cent ; while in Charleston, Los Angeles, Duluth, Galveston, Mobile, Omaha and Savannah the average rate for 1893 to 1897 stands between seven and eight per cent. Five other cities — all, save Portland, Ore. and Salt Lake City, being in the South or Southwest — show a remarkably steady rate of eight per cent for the entire period ; but in Little Rock, Dallas, Tacoma, Seattle and Denver the average charge for the discount of commercial paper has been above eight per cent, and in Denver has remained at ten per cent throughout the five years.

It does not appear that these extraordinary differences correspond, in any degree of closeness, to the differences of population among the various cities. Hartford, the twenty-eighth city of this list in population, is but fourth in the height of its discount rate. Pittsburg, ninth in the discount list, stands twelfth in population ; while Chicago, second in number of inhabitants, is eighth in average price of discounts. The lack of correspondence in this regard is marked enough throughout the list ; although but six cities having more than 100,000 inhabitants in 1890 — namely, St. Paul, Louisville, Kansas City, Omaha, Minneapolis and Denver — show rates in excess of 6.5

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per cent; and but four cities of less than 100,000 inhabitants — Hartford, Portland, Richmond and Memphis — have average rates of less than 6.5 per cent. The most that can be said in this respect, then, is that in the majority of cases the larger urban populations have the benefit of lower rates.

A similar lack of correspondence, though not quite so marked, appears when we compare the order of the cities according to the annual aggregates of exchanges effected through their clearing houses, with their order according to the height of their average discount rates. An arrangement of the cities according to their total clearings in 1897 (columns *d* and *e*), however, discloses the fact that only four cities among the first twenty in point of aggregate clearings — Louisville, Minneapolis, Kansas City and Omaha — have rates of more than 6.5 per cent. And only in four cities — Hartford, Portland, Richmond and Memphis — having clearings of less than $211,000,000 each in 1897, do we find an average discount rate of less than 6.5 per cent. So, while little is thereby indicated as to the positions above or below the 6.5 per cent mark their rates will take, it may be said that the cities with larger clearings — that is, scenes of heavy exchanges, places of financial consequence and commercial centers for considerable sections of the country — reap the benefits of lower rates. Places with smaller clearings, on the contrary, are obliged to pay more dearly for their discounts. But the terms in which this uniformity can be stated are too vague, and the exceptions to it too many, to permit the acceptance of relative commercial importance, any more than of relative population, as a satisfactory explanation of comparative cheapness of discount rates.

In those columns (*f* and *g*) of the table presenting the average rates of interest borne by mortgages made on urban landed property, lying in the counties in which the cities are situated, during the decade 1880 to 1889 and during the year 1889, we have the basis for another comparison. The figures do not, it is true, refer to the same years as those for discount rates. They serve, however, to suggest a general tendency of the rate of interest on mortgages of city real estate to follow,

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more or less closely, the discount rate — the approach to correspondence being nearer and more frequent than in any case yet considered. This outcome is, indeed, in nowise astonishing, for the factors affecting the discount market and that for loans upon the security of real estate are, in many respects, extremely similar.

But the most fruitful, in all probability, of any attempts to find the law of these wide differences in discount rates will be that in which search is begun, not by inquiry as to population, nor by examination of the volume of business indicated by clearings, but by study of the geographical situation of the cities concerned. It has been remarked, in the volume of the *Census Report* of 1890 from which the facts for mortgages of real estate have been drawn, that the rate of interest rises as the encumbered land is remote, in a western direction, from the Atlantic seaboard. The discount rate also appears to be higher, generally speaking, the further west the town for which it is quoted. A uniformity of trend still more curious, because more involved, may be detected by arranging the cities in the groups adopted by the comptroller of the currency for the condensation of national bank reports.[1]

From the table on the following page it appears that in the New England and Eastern states all but two cities have been reported for rates of less than 5 per cent, the extremes being 3.832 per cent for Boston and 4.982 per cent for Providence. The two exceptions, Portland and Buffalo, are both towns on the borders of their respective divisions. Of the Middle states four cities have rates between five and six per cent, and eight have rates between six and seven per cent; while the highest rate, 7.253 per cent, is reported for Duluth. In the South only

[1] These divisions are as follows: NEW ENGLAND STATES, Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut; EASTERN STATES, New York, New Jersey, Pennsylvania, Delaware, Maryland, District of Columbia; SOUTHERN STATES, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Texas, Arkansas, Kentucky, Tennessee; MIDDLE STATES, Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri; WESTERN STATES, North Dakota, South Dakota, Nebraska, Kansas, Montana, Wyoming, Colorado, New Mexico, Oklahoma, Indian Territory; PACIFIC STATES, Washington, Oregon, California, Idaho, Utah, Nevada, Arizona.

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THE AVERAGE WEEKLY RATE OF DISCOUNT, 1893–1897

In forty-three cities of the United States, arranged according to the geographical divisions in which they lie

	%		%
New England		*Middle States*	
Boston	3.832	Cincinnati	5.012
Hartford	4.602	Chicago	5.742
Providence	4.982	Pittsburg	5.838
Portland	6.	St. Louis	5.903
		Milwaukee	6.276
Eastern States		Indianapolis	6.369
New York	4.412	Cleveland	6.376
Baltimore	4.567	Detroit	6.415
Philadelphia	4.642	St. Paul	6.607
Buffalo	6.007	Minneapolis	6.903
		Kansas City	6.911
Southern States		St. Joseph	6.969
New Orleans	5.853	Duluth	7.253
Richmond	6.		
Memphis	6.103	*Western States*	
Nashville	6.673		
Louisville	6.826	Omaha	7.980
Charleston	7.026	Denver	10.
Galveston	7.311		
Mobile	7.957	*Pacific States*	
Savannah	7.992	San Francisco	6.216
Atlanta	8.	Los Angeles	7.057
Birmingham	8.	Portland	8.
Houston	8.	Salt Lake City	8.
Little Rock	8.015	Tacoma	9.273
Dallas	8.342	Seattle	9.969

two cities, New Orleans and Richmond, pay average charges of six per cent or less; three others pay six to seven per cent; four more, rates between seven and eight per cent; and the remaining five pay eight per cent or more. For cities in the Western division the lower limit reported comes from Omaha, 7.98 per cent, and the higher rate from Denver, ten per cent. Cities in California, particularly San Francisco, are better off, the lowest rate quoted being 6.216 per cent; but the figures rise in the five remaining cities, until in Seattle they reach 9.969 per cent.

To state the facts briefly: those discount customers enjoy the best facilities who transact their business in the New England

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and Eastern states, and more particularly in the great financial centers, Boston, New York and Philadelphia. The group next most highly favored in this regard comprises those who bank in the Middle states. After them come the people of the Southern group; then the business men of the Pacific slope; and, finally, the borrowers of the Western states.

In a more extended treatment of the subject it might be well at this point to examine in detail the calculations of the banking power per capita — that is, the bank capital, surplus, undivided profits and deposits available and used for discount purposes in the several states — which have appeared in reports of the comptroller of the currency. The tables would show some interesting parallels between low per capita banking power, slight density of population and high rates of discount. High per capita banking power and great density of population, with industry consisting chiefly of manufactures, are accompanied, on the other hand, by low rates of discount. As an exception, it should be observed that, if population is scant and industry is confined to mining and agriculture, a high per capita banking power is usually accompanied by high discount rates.

These data have been used, however, to explain the plethora of loanable funds in some, and the scarcity of such resources in other, sections of the country. The great differences, as to population, wealth, volume of business transacted, means of transportation and settled conditions of trade, between the older and the more recently settled portions of the United States have given this explanation an extremely plausible air. It may, however, be well to remember that, in many of what are now among the richest sections of our country, the introduction of transportation facilities has preceded the immigration of settlers. On the face of the matter there is no good reason why capital or credit, in themselves more active and more easily to be transported than either, should not be brought to their best markets in the United States as promptly and as cheaply as men or goods. To tell the younger communities that they must wait for credit facilities until they can supply the necessary banking capital out of their own pockets, is to give them

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stones when they cry for bread. Acquiescence in this explanation is impossible without impotent toleration, not only of needless hindrances to the free movement of capital, but also of artificial obstructions to commercial enterprise and industrial exploitation. And, finally, the argument, however specious, falls to the ground when compared with the experience of countries where the banking system is arranged on a different plan.

Absolutely, to be sure, those who are obliged to pay the higher rates are not so unfavorably situated as the difference in discount prices might suggest. In the sections where the higher rates exist, the usual rate of return on invested capital — the productivity of trade and industry — is undoubtedly greater than where agriculture has been longer pursued, where commerce and manufacture have been earlier established and are more firmly settled. And in each of these great divisions of the country there are one or more cities of chief importance where the price of discounts is confined to much lower ranges than in the division as a whole.

Yet it must not be thought that the other cities which have been mentioned are places of but mushroom growth and scenes of none but unsafe and highly speculative transactions. On the contrary, these are cities of considerable population. They carry on a trade of highly respectable volume and character, possess numerous local banks and extensive facilities for transport, and occupy in the economy of the country places important enough to entitle them to the name of commercial centers. The least of the towns included in the list had more than 25,000 inhabitants in 1890, and twenty of the cities here considered are reserve cities in the national banking system. Grouped about them are cities, towns and country districts, dependent upon them for many supplies, and supplying them, in turn, with wares and products. For these outlying regions we have, unfortunately, no discount statistics whatever; but, if such general information as is available and the analogies already furnished by our study may be relied upon, the rates in such neighborhoods are more likely to be above than below those current in the centers to which they are feeders.

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As among these principal marts, it has appeared impossible to attribute differences in the rates of discount merely to differences in population. No more does a comparison of the commercial importance of various towns, as indicated by the exchanges effected in their clearing houses, afford the key to the problem. It has also been necessary to reject other suggested solutions. True, the rates of interest on mortgages of urban real estate show differences, as between localities, more nearly in correspondence with those of discount rates than those of any other local variable yet examined; but the phenomena of mortgage interest themselves await explanation. In fine, although the extent to which discount rates in the subsidiary commercial centers of the United States are higher than in the principal money markets has been shown, and although the differences have been classified as to degree and grouped according to geographical points of emergence, it yet remains to show why they appear.

II.

One theory to account for such divergences is summed up in the expression, "disinclination of capital to migrate," the interest equivalent of which has been reckoned at two per cent. But until it has been shown that there exists in the United States the appropriate machinery for expediting the migration of such funds as form the deposits and other capital available for discounting purposes, from our large Eastern cities to points in the West and South, and for effecting investments on a sound basis in those regions, the acceptance of this theory must be postponed. And, were this evidence offered, it would still be difficult to reconcile the theory with the movements of capital which occur among the greater money markets of different European states and of the United States, with the prospect of an increase in interest of often less than one per cent as the sole inducement.

Others are disposed to attribute differences in rates, amounting to two, three, five and sometimes even six per cent, chiefly

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to the inferior quality of paper brought to bank in cities where the higher rates prevail. This explanation is doubly unacceptable. For one thing, the statistics we have presented are for double-name paper of standard quality. Inferior paper is doubtless to be had as easily in Western or Southern towns as in the East, but to the insurance premiums charged upon such risks the present figures do not refer. In the second place, not a little of the paper originating in those localities where all securities are thus gratuitously assumed to be inferior — and a good part of it single-name paper at that — is actually sent north and east to New York in order to escape the higher local rates. There it is sold to metropolitan banks by note-brokers, for whom the commission on this business is a fruitful source of income.

Furthermore, it is no longer reasonable to suppose that, after half a century has passed, the South is still on the unstable basis peculiar to the Mississippi valley during the land and cotton speculations of the thirties, or that the more thickly settled portions of the West or of the Pacific coast have not outlived, in great measure, the era of bold adventure and reckless boom in which the costly foundation for their development was laid. Reflection upon the number, respectability and importance of the business communities in which the higher rates are exacted forces one to conclude that the second explanation goes far beyond the mark. The necessity for its rejection would be less obvious, could it be shown that like excessive rates are charged upon first-class paper in the northern and western towns of Canada.

This, however, is not the case. The Dominion's territory is quite as large as that of its southern neighbor, its density of population well-nigh incomparably less. The development of the Northwest began much later than that of the American West and has never proceeded so far. Yet the Canadian bank discount does not vary more than one to one and a half per cent throughout the whole Dominion. Hamilton and Halifax pay the same rate as Montreal, and Winnepeg shares the benefits of credit on practically the same terms. But the Buffalo

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merchant and manufacturer must pay six per cent; and his colleagues at Minneapolis and Denver, the one seven, the other ten; while their brother at Boston secures his advances at something less than four.

There is, moreover, an abundance of proof that such differences, quite aside from their being exorbitant, uneconomic and unjust, are wholly unnecessary. In Canada, for example, the situation is so different that sound banking is thought to end when it is necessary to charge the borrower on the poorest paper accepted for discount, arise where it may, over one per cent in most cases, over two per cent at the outside, more than the rate made for paper of the best class. The great similarity, as regards natural conditions, race and institutions, between the United States and Canada naturally invests the successful operation of the latter country's banking laws with greater interest and significance than are attached to experiments made elsewhere. As a matter of fact, however, other peoples — indeed, practically all European nations of any consequence — have also been able to perfect systems of domestic arbitrage and to equalize local discount rates.

In Scotland, for instance, representatives of the banks meet at regular intervals and agree, not only upon the rate of interest to be exacted for loans, but also upon the interest to be allowed depositors, the rates thus determined being observed by each of the banks at all its numerous branches. Germany achieves the same end, at least for subjects resident in the more important towns, by means of the Reichsbank. Lombard business is carried on and drafts and notes are purchased at any of the seventeen principal branches, the forty-six branches and at such of the one hundred and sixty agencies as are thereto authorized, at the uniform rates fixed and published by the directorate in Berlin. In France, borrowers may present paper for discount at any of the branches (there being at least one in each department) or subsidiary branches of the Bank of France, and the rate on paper it accepts for discount is the same at every one of its establishments. So also in Holland, through the Netherlands Bank, and in Japan, through

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the Bank of Japan, is interlocal equalization of discount rates secured; and further examples of the process can be found in Italy, Austria and Belgium.

What is the situation in the United States? The American system is made up of a multitude of small local banks, the principal elements of which are 3610 "national" banks, subject to federal regulation; some 4000 "state" banks, working under the legislation of the several states; and an undetermined number, probably not less than 800, private banks.[1] Each bank is confined, by law in most cases, by preference in a few, to a single city, town or village as the scene of its operations;[2] and each is prevented from exercising the issue function in a way that would enable it to meet sudden and heavy demands for credit by an expansion of its circulation. Whence come, then, the means with which the banks do strive to meet the call for loans?

The total banking resources of these institutions — that is, the amount of funds available and used for lending and discounting — are made up of capital, surplus, undivided profits and deposits. Such circulation as the national banks have issued may be ignored, because, under the national system, a bank must buy bonds to secure its issues and thus lose the use of a greater sum than it is permitted to circulate. For the sake of simplicity, although the omission involves a slight inaccuracy, undivided profits and surplus may also be ignored. Of course these elements of banking resources are the property of the shareholders, but they are earned in the neighborhoods where the banks work; and, in those sections of the country where the dearth of credit is greatest, they form no such proportion of total banking resources as in wealthier

[1] Loan and trust companies are not considered in the text, notwithstanding their discount and deposit function, for the reason that they are peculiar to the New England, Eastern and Middle states.

[2] Some state banks maintain branches, and certain national banks have either continued such offices, as survivals of their existence under state laws, or, having established them contrary to the National Bank Act, have thus far escaped official cognizance of the infraction. But the number or importance of either variety of branches is too inconsiderable to impair the generality of the statement in the text.

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communities, where, in order to evade taxation, increase of capitalization is given this form rather than that of new shares.

The data for discussing the origin of the remaining items of banking resources, or banking power, will be drawn exclusively from the statistics of the national banks. One reason for this limitation is the lack of adequate reports from state and private banks. Aside, however, from the necessity of accepting the limitation, it seems advisable to consider only the national banks, for the reason that they are, in every way, the principal element in the American banking system. At the date of the last report their total loans and discounts were to those of all the state and private banks for which we have returns as 2066 to 660, their capital stock as 642 to 247. Even in those divisions of the country where the state banks are prominent factors in the loan market, their relative importance, in point of capital stock, is as follows:

	National Banks (*Millions of dollars*)	State and Private Banks (*Millions of dollars*)
Southern states	67.	45.2
Middle "	159.6	90.5
Western "	32.6	22.3
Pacific "	17.8	40.7
California	7.5	36.5

Or, to present the case in another light, the total banking resources (aggregate capital, surplus, undivided profits and individual deposits) of national banks, as compared with those of state and private banks, were in the [1]

Southern states	as	100	to	68.9
Middle "	"	100	"	66.3
Western "	"	100	"	59.8
Pacific "	"	100	"	195.7
California	"	100	"	415.9

Notwithstanding, therefore, the fact that they are not exhaustive for all banks, the available statistics refer to that type of establishments whose aggregate resources and business exceed those of all similar undertakings; and they have the additional merit of being uniform, copious and authentic. It is quite

[1] Report of the Comptroller of the Currency, 1897, I, 574–581.

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unlikely, moreover, that the facts for other banks, were they to be had, would be radically different. The similarity in the situation, traditions and practice of national associations and of state and private banks put them in much the same position, though the advantages arising from confidence in careful supervision, rigid inspection and considerable publicity are probably on the side of the national banks.

With respect to the remaining elements of banking resources — deposits and capital — the point most essential to our immediate purpose is to know whence they are derived. If banks working in poor, newly settled or fast developing districts can and do obtain, from other and wealthier sections of the country, supplies of capital ample to meet the needs of their respective communities for loans, the explanation of the table of discount rates must be sought elsewhere than in the banking system. But if it can be shown that banks, wherever they may be, rely upon the communities in which they work for all but a small part of the funds whereby they attempt to supply the demand of such localities for credit, the principal cause of such astounding differences in discount rates will be revealed forthwith.

As to the residences of depositors we have no statistics. But it is a matter of common experience that a bank's depositors reside, as a rule, in the immediate vicinity of the bank's office. Few, indeed, are the depositors in any bank who live without the county, and fewer still are those who live without the state, in which the bank is situated. Of course there are methods by which deposit accounts are opened with distant customers. For instance, a bank in a locality where interest rates are high secures from persons living at distant points, where loanable funds are more abundant, loans for fixed periods at the rates of interest current at the places where the lenders reside, issuing therefor certificates of deposit. But such transactions and others like them, when reported as deposits, have been unfavorably criticised by comptrollers of the currency, and belong to another class of operations.[1]

[1] Report of the Comptroller of the Currency, 1890, I, 14.

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It is also a matter of common knowledge that the organization of banks is usually due to local initiative, and that the equipment, not only of officers, but also of capital stock, is drawn, for the most part, from the locality in which the business is to be carried on. How great a proportion of the capital of national banks is supplied by local investors appears more clearly in the following table, compiled and condensed from the last two official investigations of the subject :[1]

TABLE SHOWING (*a*) the par value of the capital stock, (*b*) the par value of shares owned by shareholders non-resident in the states wherein the banks were situated, (*c*) the total loans and discounts, and (*d*) the ratio borne by stock owned by non-state-residents to par value of capital stock and to total loans and discounts of national banks in the several divisions of the United States in 1889 and in 1897.

	1889					1897				
	(*a*)	(*b*)	(*c*)	%		(*a*)	(*b*)	(*c*)	%	
(000 omitted).	PAR VALUE OF STOCK.	STOCK HELD BY NON-STATE-RESIDENTS.	LOANS AND DISC'TS.	B OF A	B OF C	PAR VALUE OF STOCK.	STOCK HELD BY NON-STATE-RESIDENTS.	LOANS AND DISC'TS.	B OF A	B OF C
New England	$165,464	$14,576	$375,081	8.8	3.9	$159,991	$12,253	$396,248	7.6	3.0
Eastern States	187,987	29,437	731,192	15.6	4.0	195,470	24,947	848,307	12.7	2.9
Southern "	59,873	9,915	139,644	18.2	7.2	67,195	11,517	154,372	17.1	7.5
Middle "	144,738	23,956	403,980	16.5	5.9	160,545	22,522	458,057	14.0	4.9
Western "	35,939	9,791	77,882	27.8	12.5	32,754	11,094	75,450	33.8	14.7
Pacific "	15,892	2,605	41,274	16.3	6.3	17,815	4,972	34,451	27.8	14.4

Here the significant figures are those referring to stock held by non-residents of the states in which the banks do business. Only under the most favorable possible construction is it permissible to interpret the stockholdings of non-state-residents in the banks of the Southern, Middle, Western and Pacific groups as investments in those regions exclusively of Northern and Eastern capital. Without doubt, a considerable number of

[1] Report of the Comptroller of the Currency, 1889, p. 174; 1897, I, 347–9. Dates for (*a*) and (*b*) are July 1, 1889, and July 5, 1897; dates for (*c*) are July 12, 1889, and July 23, 1897.

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the shares of each group in the hands of non-state-resident holders were owned by persons residing in other states of the same group. However that may be, the table shows that, at the date of the last report, in the Western and Pacific states national banks derived but 33.8 per cent and 27.8 per cent, respectively, of their capital from sources without their states; while in the other groups the proportions were no higher than 17.1 per cent and as low as 7.6 per cent. A better comparison would be secured by setting off capital contributed by non-residents against the sum of capital stock, surplus, profits and deposits — that is, total banking resources — or against total loans and discounts — that is, that part of such resources which is actually lent. A comparison on the latter basis discloses the fact that in 1897 non-resident holdings of stock were equal to but 14.7 per cent of the total loans and discounts of banks in the Western states, and to only 14.4 per cent of the same item for banks in the Pacific group. For other groups the percentages thus computed ranged as low as three per cent, and rose in no case higher than 7.5 per cent.

Of other methods by which banks may augment the supply of loanable capital in the neighborhoods in which they work, there are only two which deserve to be considered. The first is to borrow on their own promissory notes from other banks or capitalists, wherever lenders may be found willing to furnish the sums required at satisfactory rates. The second plan is that of rediscounting, with other banks, selected notes and bills received in the ordinary course of business.

The amount of notes and bills rediscounted and of borrowings on bills payable has usually varied, for all the national banks in the United States, during the last five years, between something less than one and one and a half to one and three-quarters per cent of their total loans and discounts. The average proportion, as computed from the twenty-five reports which we have for dates between December, 1892, and October, 1897, is 1.33 per cent. Only once, on July 12, 1893, does the return show that as much as 3.1 per cent of the total loans and discounts was provided for by means of help received from tills

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TABLE SHOWING the average "loans and discounts" "notes and bills rediscounted" and "bills payable" of the national banks in the several divisions of the United States, and in the whole country, as reported on five approximate dates in the years 1892–93 to 1896–97, inclusive, with the average of the same items for the five years (000 omitted)

On	(a) Loans and Discounts.	(b) Notes and Bills Rediscounted.	(c) Bills Payable.	(a) Loans and Discounts.	(b) Notes and Bills Rediscounted.	(c) Bills Payable.	(a) Loans and Discounts.	(b) Notes and Bills Rediscounted.	(c) Bills Payable.
	New England			Reserve Cities, New England			Total, New England		
Dec. 13	$235,420	$791	$2,118	$149,824	$12	$1,341	$385,244	$803	$3,459
Mar. 3	234,150	752	2,503	147,172	32	2,591	381,322	784	5,094
May 9	235,825	769	2,541	146,276	91	2,080	382,101	860	4,621
July 18	233,621	896	2,317	149,937	45	2,349	383,558	941	4,666
Oct. 2	232,538	845	2,148	150,314	—	2,689	382,852	845	4,837
Average	234,311	810	2,325	148,704	36	2,210	383,015	846	4,535
	Eastern States			Reserve Cities, Eastern States			Total, Eastern States		
Dec. 13	274,023	1,429	1,095	522,620	241	660	796,644	1,671	1,756
Mar. 3	270,800	1,398	1,077	515,168	363	575	785,969	1,762	1,652
May 9	276,735	1,793	1,338	524,973	307	754	801,708	2,100	2,092
July 18	272,144	1,782	1,491	537,072	485	608	809,217	2,267	2,099
Oct. 2	270,992	1,360	1,113	539,951	396	764	810,944	1,756	1,877
Average	272,939	1,552	1,223	527,957	357	672	800,896	1,909	1,895
	Southern States			Reserve Cities, Southern States			Total, Southern States		
Dec. 13	138,635	3,506	2,156	23,908	386	652	162,543	3,892	2,808
Mar. 3	137,742	2,192	1,462	22,736	246	429	160,479	2,439	1,892
May 9	140,217	2,925	1,704	22,417	291	135	162,634	3,216	1,839
July 18	139,674	4,581	2,468	22,153	403	207	161,827	4,984	2,675
Oct. 2	138,395	6,741	4,932	22,132	537	601	160,528	7,278	5,533
Average	138,933	3,989	2,544	22,669	373	405	161,602	4,362	2,949
	Middle States			Reserve Cities, Middle States			Total, Middle States		
Dec. 13	257,467	2,137	1,594	238,034	649	2,038	495,502	2,786	3,632
Mar. 3	257,346	1,974	1,626	238,396	466	1,996	495,743	2,441	3,623
May 9	260,485	2,168	1,363	243,846	745	2,408	504,332	2,914	3,772
July 18	253,708	2,403	1,707	236,455	879	2,321	490,164	3,282	4,029
Oct. 2	247,257	1,794	1,498	232,449	651	2,261	479,707	2,445	3,759
Average	255,253	2,094	1,558	237,836	679	2,205	493,089	2,773	3,763
	Western States			Reserve Cities, Western States			Total, Western States		
Dec. 13	85,220	1,286	1,358	11,323	137	60	96,544	1,424	1,419
Mar. 3	84,224	1,253	1,487	11,199	73	124	95,423	1,327	1,612
May 9	83,366	1,187	1,458	11,822	101	85	95,189	1,288	1,544
July 18	80,019	1,038	1,730	11,234	197	114	91,253	1,235	1,845
Oct. 2	75,338	826	1,448	10,999	119	100	86,337	945	1,549
Average	81,634	1,118	1,496	11,315	125	97	92,949	1,243	1,593
	Pacific States			Reserve Cities, Pacific States			Total, Pacific States		
Dec. 13	37,162	277	609	6,623	—	—	43,785	277	609
Mar. 3	35,838	271	633	6,574	—	—	42,413	271	633
May 9	35,929	231	609	6,914	—	—	42,843	231	609
July 18	34,043	305	688	6,836	—	—	40,880	305	688
Oct. 2	33,186	224	740	7,041	—	—	40,228	224	740
Average	35,231	262	676	6,798	—	—	42,029	262	676

On	Total, United States (a) Loans and Discounts.	(b) Notes and Bills Rediscounted.	(c) Bills Payable.
Dec. 13	$1,991,002	$10,876	$13,695
Mar. 3	1,967,003	8,958	14,448
May 9	1,994,592	10,557	14,460
July 18	1,981,524	13,026	15,835
Oct. 2	1,967,553	13,600	16,154
Average	1,980,334	11,403	14,918

RECAPITULATION

(000 omitted)	Loans and Discounts	Notes and Bills rediscounted	Bills Payable
New England	$234,311	$810	$2,325
Reserve cities, *do.*	148,704	36	2,210
Total, N. E.	383,015	846	4,535
Eastern states	272,939	1,552	1,223
Reserve cities, *do.*	527,957	357	672
Total, E. S.	800,896	1,909	1,895
Southern states	138,933	3,989	2,544
Reserve cities, *do.*	22,669	373	405
Total, S. S.	161,602	4,362	2,949
Middle states	255,253	2,094	1,558
Reserve cities, *do.*	237,836	679	2,205
Total, M. S.	493,089	2,773	3,763
Western states	81,634	1,118	1,496
Reserve cities, *do.*	11,315	125	97
Total, W. S.	92,949	1,243	1,593
Pacific states	35,231	262	676
Reserve cities, *do.*	6,798	—	—
Total, P. S.	42,029	262	676
Total, United States	1,980,334	11,403	14,918

The actual dates of the reports were as follows:

First Call	Second	Third	Fourth	Fifth
Dec. 9, 1892	March 6, 1893	May 4, 1893	July 12, 1893	Oct. 3, 1893
" 19, 1893	Feb. 28, 1894	" 4, 1894	" 18, 1894	" 2, 1894
" 19, 1894	March 5, 1895	" 7, 1895	" 11, 1895	Sept. 28, 1895
" 13, 1895	Feb. 28, 1896	" 7, 1896	" 14, 1896	Oct. 6, 1896
" 17, 1896	March 9, 1897	" 14, 1897	" 23, 1897	" 5, 1897

All fell, then, within four to six days of the date appearing in the table.

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other than those of the discounting banks. The proportion fell to two and one-third per cent by December 19, 1893; and on February 28, 1894, it was less than one per cent. The table facing this page shows to what extent banks rediscount or borrow in order to supplement their own resources, and permits a comparison of the practice in this regard of the banks in different parts of the country.

It appears, then, that national banks in the Southern states rediscount and borrow to a greater extent, in proportion to their lending business, than colleagues in other divisions, the percentage of such debts to loans and discounts shown by the grand average being 4.53, though it varies in the average year between 2.62 and 8 per cent. Next after this group come the Western states, with an average of 3 per cent; then the Pacific, New England, Middle and Eastern states, with proportions of 2.23, 1.4, 1.32, and .47 per cent, respectively. As might be expected, the volume of these transactions reported by country banks — that is, banks outside the reserve cities — not only bears a higher proportion to their own loans and discounts, but also exceeds, in dollars and cents, the sums returned under these items of their liabilities by banks in the reserve cities. In some sections of the country — notably, however, only in the Southern states — the amount of aid obtained, presumably from districts other than those in which the banks are operating, varies rhythmically within the year, being highest on the date of the report nearest to the season for harvesting the crops and sending them to market, and from that time gradually diminishing until the next upward swing begins.[1]

[1] Thus, the average percentage of loans and discounts reported by national banks in the Southern states, 1892–97, against which there stood notes and bills rediscounted and bills payable, was, roughly, as follows:

December.	March.	May.	July.	October.
$4\frac{1}{2}\%$	$2\frac{11}{16}\%$	$3\frac{1}{4}\%$	$6\frac{3}{4}\%$	8 %

This percentage is much less variable in other divisions, ranging in

New England	between	$1\frac{1}{8}$	and	$1\frac{1}{2}$	per cent.
Eastern States	"	$\frac{42}{100}$	"	$\frac{53}{100}$	"
Middle "	"	$1\frac{1}{4}$	"	$1\frac{1}{2}$	"
Western "	"	3	"	$3\frac{3}{8}$	"
Pacific "	"	2	"	$2\frac{9}{20}$	"

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It remains to ascertain, if possible, what proportion the aid received by banks from all sources — presumably other than the particular communities in which they are active — for meeting local demands for credit bears to their loans and discounts. Accordingly, certain results of the table just discussed have been combined with figures as to the non-resident ownership of bank stock for the construction of the following table.

FUNDS FURNISHED TO BANKS FROM WITHOUT[1]

DIVISIONS	(*a*) PERCENTAGE BORNE BY THE PAR VALUE OF BANK STOCK OWNED BY NON-RESIDENTS TO AVERAGE "LOANS AND DISCOUNTS"	(*b*) PERCENTAGE BORNE BY "BILLS PAYABLE" PLUS "NOTES AND BILLS REDISCT'D" TO AVERAGE "LOANS AND DISCOUNTS"	TOTAL PERCENTAGE OF AID RECEIVED FROM WITHOUT
New England	3.2	1.4	4.6
Eastern States	3.0	.47	3.47
Southern "	7.1	4.53	11.53
Middle "	4.5	1.32	5.82
Western "	12.1	3.0	15.1
Pacific "	12.1	2.23	14.33

It is not pretended that this rough but suggestive comparison, or even the averages in the last table but one — computed, as they are, from data reported but five times a year ; on merely approximate, not identical, dates ; and referring to years in which the great expansion, just about at its farthest limits in the beginning of the period, was succeeded by crisis, panic, long depression and only slowly reviving activity — can be regarded as statistically unexceptionable. Yet, averaging is here the only practicable method of condensation by which the influence of accidental and irregular variations upon the quantities treated can be eliminated ; and in this case, it is believed, the process provides convenient and trustworthy indications of

[1] The only changes from the data previously presented are in the method of estimating the proportion borne by the value of shares, owned by non-resident holders on July 5, 1897, to loans and discounts. These percentages are reckoned for this table from the average condition on some date in the first half of July, 1893–97, instead of from the single report of July 23, 1897.

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banking tendencies, over a period of time long enough to permit the drawing of certain general conclusions. A better insight into many details could doubtless be gained from a table by years. But the mere abundance of material might obscure — what the averages present in unmistakable terms — the strongest possible proof that rediscounting, borrowing and resort to absentee ownership of capital stock are devices for increasing their local loan funds, of which American banks are nowhere wont to make much use.

The sources of relief from high local rates that are accessible to the whole body of borrowers are much more restricted. Incidental reference has, indeed, been made to the facilities granted in the money markets of New York and other great cities to enterprises located without those centers; but such advantages are not enjoyed by the many. Direct intercourse with the New York market, for example, is available only to the borrower with a considerable capital and influential connections, who transacts a large and well-known business and who possesses high credit. Both financial reporters and city bankers declare that only the cream of outside paper is accepted for discount in New York. The small trader or manufacturer, no matter how firm his integrity or how long continued his success, is generally excluded from such advantages as the New York market offers — and mainly by reason of the comparative insignificance of his capital and transactions, though within limits his paper is as safe as that of some million-dollar corporation with which he may compete. The enterprises, moreover, which are able to employ this device cannot rely upon it as always available or always cheap. The price they pay for discounts may be grievously enhanced by stringencies of credit, in nowise primarily caused by the volume of their own and similar paper offered for sale, but rather due to operations on the exchanges, to distrust of the safety of the government currency or to fear of impending international difficulties. At times the rate rises to an exorbitant figure; while at times the market becomes merely nominal, and to negotiate any discounts whatsoever is utterly impossible. Persons depending upon the New

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York lenders are often, at such times, in a plight worse than that of smaller borrowers, who, though practically unable to escape the high local rates, enjoy a tolerable assurance that the price of discounts will be comparatively steady.

A quantity of evidence, sufficient for the time being, has now been presented for the purpose of showing to what extent the several discount markets of the United States are affected by the inflow of circulating capital, gathered from districts outside the sections of the country to which they belong. Concerning the employment of the devices peculiarly available for private borrowers, there are no quantitative data. As to the expedients employed by banks, on the other hand, we have information, statistical and authentic, which of itself, in the absence of other material, permits a judgment on the efficiency of such methods by a determination of the extent to which they are used. The table of rates, however, shows that neither through the ways of relief open to private borrowers nor through the methods followed by banks has it been possible to overcome the glaring inequalities in the charges for discount in different parts of the country. These devices have proved ineffective; and aside from them there is in operation no system of domestic arbitrage capable of bringing the rates of discount in lesser cities into prompt correspondence with those of the sectional centers, or of equalizing rates in sectional centers with those current in the commercial and financial capitols of the country. In this fact, it is submitted, lies the true explanation of the extraordinary differences which the discount table shows.

How great is the injury annually inflicted upon American economic interests by so defective a distribution of the facilities for short-term loans cannot be decided from the information now at hand. Simply to ascertain the volume of the lending business in districts where rates are high, and to reckon the amount by which the charges thereon probably exceed those paid upon like volumes of credit transactions in the better markets of the country, would not, of course, make

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any appraisal of such injury complete. The calculation must also take account of the checks to the growth of agriculture, of the obstructions to commercial development and industrial progress, which result from the prevalence of high discount rates; and this part of the reckoning cannot be made exact.

Meanwhile, the perfectly obvious injury is so considerable that the whole body of discount customers throughout large areas of the United States may fairly complain of a great grievance. They may not always rightly analyze its cause or fully understand its nature. Indeed, it is often the case that a scarcity of capital or of credit is confounded with a deficient supply of money — the form of capital in which, aside from book credits, advances are usually secured; and thus whole communities throw themselves bodily into the first movement for unlimited greenbacks, or some other form of cheap money, which happens to arise. The grievance, nevertheless, or ample reason for a grievance, still remains. The disadvantages peculiar to oppressive discount rates are such that scarcely any class escapes them. The farmer and the small tradesman, the retail merchant of the town and the wholesaler of the city, the produce buyer and the cattle dealer, the craftsman and the manufacturer — all, whatever their standing, are involved in the common lot. Even the strongest and most flourishing enterprises suffer from the lack of some efficient machinery for simultaneously borrowing in the accumulating, wealthy and investing sections of the country and lending the means thus acquired in those sections where opportunities for investment are more abundant than capital, where development of local resources is rather in progress than already achieved and where the future promises riches for the acquisition of which the past has not sufficed.

The continuance of this situation must certainly be ascribed to the failure of the American organization of credit adequately to mediate, with equitable charges, between those who need to borrow and those who are able and willing to lend. If the efficiency of their past efforts in this direction affords a just measure of their possibilities, it must also be concluded that

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the national banks — restricted, as they are, by the law that each association can conduct a banking office in but a single city, town or village — are incapable of providing a system for the prompt, cheap and automatic distribution of loanable capital over the country, in exact correspondence to the quantities which the different markets can safely use. From one point of view, the inducement to establish such a system is absent; from another, the opportunity is withheld. Few banks are willing to intrust the management of even a part of their discount business to other hands, whatever the promised rates may be; and no bank may establish branches, for such action is forbidden it by law.

Elsewhere, as we have seen, the equalization of discount rates is, in great measure, an accomplished fact. England, the continental nations and Japan have attained the end by means of the establishment of great central banks, which, through head offices and branches, are able to exercise dominating influence in the cities of the lands throughout which they work. Canada and Scotland provide examples of another solution, in the organization of a number of large banks, heavily capitalized, the activity of which, by a system of branches, is extended to every worthy market, for the benefit as well of the borrowing classes as of those who have to lend.

Recent controversy in the United States has touched upon banking problems chiefly in connection with currency questions. But in view of the popular tendency to confuse capital with money, and in view of the great dearth of capital in those sections of the country whence the cry for more money comes loudest, strongest and most frequently, the probability that currency reform alone will still the popular discontent seems, at the very least, more than doubtful. To this measure of reform there must be added the establishment of an efficient system of domestic arbitrage. There must be secured some nearer approach to thorough-going equalization of local discount rates.

R. M. BRECKENRIDGE.

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MEITZEN'S SIEDELUNG UND AGRARWESEN DER GERMANEN.[1]

ONCE more we have a book such as those of the brave days of old, lordly in bulk, magistral in contents; none of the booklets of this effeminate age, but three ponderous volumes and, for additional ballast, a whole atlas of maps; no mere *Beiträge* or *Studien, zur* this or that, but a masterful grasp, a confident handling of the whole of a vast province of the world's history.

Since the death of Georg Hanssen, Professor Meitzen has been the acknowledged chief of agrarian historians and agrarian economists in Germany, and, indeed, in Europe. Serving as he did for many years as a commissioner to carry out partitions of land between peasants and landlords, he was able to form an intimate acquaintance with the minutiæ of rural life: intrusted by the government with the task of drawing up a description of the agricultural condition of Prussia, he has enjoyed unusual official facilities in the collection of information. For more than a quarter of a century he has been travelling to and fro over Germany, gathering village maps and field plans; he has formed a score of pupils who have contributed to his store; and now the result, or, rather, one-half of the result, is before us. A subsequent series of volumes is to give us "the German colonization of the East," as well as "the system of large farming, and the progress and outlook of modern agriculture" north of the Alps. In these four he confines himself to the original settlement, and to the agricultural organization before it was broken in upon by comparatively recent forces.

That the book provides a vast amount of information need not be said. Had Professor Meitzen given us nothing but the village maps, he would have done us a great service: and their value will be increasingly recognized, even if the text to which they are attached should come to be disregarded. He has thrown out at least one large idea, — the idea that differences in village formation go along

[1] Wanderungen, Anbau und Agrarrecht der Völker Europas nördlich der Alpen. Von August Meitzen. Erste Abtheilung: Siedelung und Agrarwesen der Westgermanen und Ostgermanen, der Kelten, Römer, Finnen und Slaven. Berlin, Hertz, 1895. Band I, 623 pp., mit 52 Abbildungen; Band II, 698 pp., mit 38 Abbildungen; Band III, Anlagen, 617 pp., mit 39 Karten und 140 Figuren; Atlas zu Band III, mit 125 Karten und Zeichnungen.

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with racial differences, — which is sure to play a great part in subsequent discussions.[1] Yet, somehow, one experiences a certain sense of disappointment as one makes one's way into the book. Professor Meitzen undertakes the most urgent of all historical tasks: he undertakes to set forth the origin and growth of the economic system of the middle ages — of what for brevity we may call 'feudalism' and 'serfdom.' We see the structure of exposition rise beneath his hands, yet we cannot help thinking it looks somewhat unsubstantial. There may be solid foundations beneath, there may be steel girders supporting the flying arches; but the ordinary spectator cannot discern them. In *Siedelung und Agrarwesen* we are given conclusions rather than argument: references are rare, and sometimes altogether absent at critical points. It would be pleasant to take it all on trust, were this not dangerous. Perhaps the reviewer's best course will be first to explain Dr. Meitzen's general plan, and then to select the central portion of his undertaking and set forth just what it is that we are there told.

Professor Meitzen begins by defining the area of "national[2] German settlement" — the untouched home of the German people (*Volksland*), bearing the exclusive character of a definite nationality (*Volksthum*), and never subjected to foreign influence.[3] This he finds in the area bordered on the west by the Weser and the highlands which extend in a southwesterly direction to the junction between the Main and the Rhine; on the south (roughly) by the Main and the Thuringian forest; on the east by a line drawn between Leipzig and Kiel; and including on the north all the Scandinavian countries except Finland. This area, according to Professor Meitzen, is also distinguished from the lands on either side of it by the characteristic grouping of its rural habitations. In this *Volksland* they are grouped in large villages, with houses placed together in a compact group, but on no definite plan. *Dorf*, indeed, originally meant *Hauf*, a heap; and these purely German villages may, therefore, properly be termed *Haufendörfer*.[4] Immediately to the west of them the peasants do not really live in villages at all: such groups of houses as look like villages are not ancient settlements of actual cultivators of the soil. They live, on the contrary, in isolated farmsteads, *Einzelhöfe*, each

[1] The idea has already been utilized by Professor Maitland, in whose Domesday Book and Beyond it appears in the contrast drawn between *nucleated villages* and *the land of hamlets and scattered steads*. Compare Maitland's maps, p. 16, with those of Meitzen, Anlagen 1, 2.

[2] No English equivalent can give an adequate impression of the flavor of *Volksthum*, *volksthümlich*, *Volksland*, *etc.*

[3] I, 33.

[4] I, 47.

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with its own square or round fields surrounding it. To the east of the unspoilt Germans, on the other hand, there are again villages; but they are marked off from the truly German ones by their more formal shape — their houses are symmetrically arranged, either around a circular enclosure or on the two sides of a short street. These are christened *Runddörfer* and *Strassendörfer*. It is assumed, as the obvious conclusion to be drawn from geographical and historical facts, that the *Einzelhöfe* are to be regarded as characteristically Celtic, the *Rund-* and *Strassendörfer* as characteristically Slavonic.[1]

Having thus marked out the boundaries of the three great territories to be investigated, Professor Meitzen gives, of course, the first place to the *Volksland*, and proceeds to describe its other "national peculiarities." They are what Mr. Seebohm and other writers have already made us familiar with in England — the intermixed strips, the compulsory rotation of crop and fallow (*Flurzwang*), the normal holding (*Hufe*) and the like. What is fresh in Meitzen's account is the stress he lays upon the division of the arable fields into *Gewanne* (*furlongs* or *shots*). This he explains as due to a desire to give each shareholder a piece of every sort of land;[2] and he regards it as so peculiarly characteristic of the villages of the *Volksland* that he drops the term *Haufendörfer*, and substitutes for it *Gewanndörfer*.[3] In the *Uebersichtskarte*, prefixed to the atlas volume, the *volksmässige Gewanndörfer der Germanen* occupy the centre of interest. But it can hardly be said that the propriety of the term has been altogether made apparent, for it seems that Russian village fields are also divided into furlongs.[4]

How, then, have these typical German *Gewanndörfer* arisen? Professor Meitzen gives us the answer, with hardly a tremor of hesitation, in a section occupying no more than thirty pages.[5] That this is all the space he devotes to it, out of some nineteen hundred pages, shows how sure he is of his ground. But if once he is granted this for his foundation, it will be absurd to hesitate about anything else: here are to be found all the fundamental data on which he subsequently builds. This will be my excuse for dwelling at an otherwise disproportionate length on one little section, leaving the Swabians and the Franks, not to mention the Celts, the Romans and

[1] The possibility that such differences may be due to economic causes and not to racial differences is hardly referred to. But the remark (III, xxii) about the Alpine *Einzelhöfe* is probably capable of a wider application.

[2] I, 170. [3] I, 122. [5] I, 131–161.

[4] II, 221, and Fig. 86; *cf.* II, 182, and III, Anlage 97.

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the Slavs, to wait upon their unalloyed-German betters. To avoid misrepresentation, I shall largely quote Professor Meitzen's own words.

The Germans of the time of Tacitus, Professor Meitzen sets out by telling us, were definitely settled on the soil. But this had come to be the case only at a comparatively recent period. In Cæsar's time they still pursued "a pastoral life without permanent tillage": his description is altogether irreconcilable with anything like the later village. But the population was already as large as the country could bear with the methods then employed for obtaining food. Moreover, we must not think of the land as unpossessed, or of agricultural settlements as taking place in out-of-the-way wildernesses. All the land that could be made use of was already employed by the tribesmen,[1] and, in this sense, taken possession of.

> No other conclusion is possible than that in the creation of fixed settlements we are to discern a crisis in the national life of the Germanic people — a crisis which was inevitable in its origin, and therefore made relatively rapid progress in the short space of a century.

The nature of this "crisis" is illustrated by the example of the nomad of central Asia at the present day, who turns to agriculture only when he can no longer maintain himself as a shepherd. Such resort to tillage on the part of the poorer tribesmen might, however, easily prove prejudicial to the interests of the wealthy herd-owners, who would find their pasturage encroached on and their herdsmen leaving them. Accordingly, the *magistratus ac principes*, as Cæsar tells us, would do what they could to limit in space and time these agricultural experiments. But they were not long able to keep the mass of the people content with an arrangement so unsatisfactory, and a permanent settlement had to be allowed.

> We cannot but conclude that the pasturage must early have appeared insufficient, and have needed to be supplemented by tillage, and that, in spite of all the disinclination for the heavy work of the plow on which Cæsar and Tacitus lay stress, the mass of the poorer freemen must have been ready to carry on this tillage in such a way as to suit the wealthier men (who dominated them by means of their possession of the herds, on which all were still dependent), until a time came when they [the mass of the poorer freemen] realized that such a sporadic agriculture involved heavy labor on their part, without giving them the advantages which a fixed settlement would bring, in the way of personal independence and regular returns.

[1] *Stammesgenossen.* Dr. Meitzen does not anywhere, so far as I know, define *Stamm.* In I, 138, *Gau* is used as an equivalent or alternative.

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We may well believe that "their betters" [*die Vornehmen*] endeavored to persuade them, both on public and private occasions, by all the considerations adduced by Cæsar,[1] not to give up the accustomed mode of life. In all the considerations there mentioned there is, indeed, no word of the main motive influencing the *principes* — the danger to their pastoral wealth and to their whole position in life: over that they were silent, though it must have been notorious. But this seems to show that Cæsar's account is correctly taken from the public speeches of wealthy Germans.[2]

The final adjustment "in the small democratic German tribal states" took place in "the sovereign popular assemblies" described by Tacitus. As the will of the majority of men under arms must finally have its own way,

the *principes* had at last to cease their opposition, and to bend all their energies to guide the revolution and to make it as subservient as possible to their wishes. Under the circumstances, these wishes of theirs centered in this: that the pasturages for their herds should be as little as possible encroached upon — that, in other words, a method of settlement should be carried out which should satisfy the main body of the common freemen upon a relatively small area of land, and leave sufficiently large stretches of land open, to be used, as before, for the raising of cattle. We cannot fail to recognize that the method of settlement displayed to us in the villages [on the one side] and the *marks* [on the other] satisfied the claims of both parties in the easiest possible way. The majority of the heads of families wished to settle down; and were assigned, group by group, the localities in the tribal territory (*Stammgebiet*) which were most fertile and had already been sporadically tilled. These allotments were so large that each group received as much land as seemed sufficient for the competent subsistence of its families, and not too much for the labor power of the several peasant families. The remaining land was retained by those who did not settle down to agriculture, to the exclusion in whole or in part of those who did so settle. We have already, in substance, the distinction between villages and *marks*.[3]

[1] "*Ejus rei multas afferunt causas . . .*"

[2] From which it will be seen that these Germans were already pretty self-conscious in their proceedings, and not unacquainted with the modern arts of politics. But there is more to come in the way of conscious planning.

[3] Particular attention must be paid to Dr. Meitzen's use of this word *mark*. As will have been gathered from the above, he uses it, not as a synonym for a village or for village lands, but in contrast to them. In certain parts of Germany, notably around Hanover and Bremen, there are stretches of woodland controlled by corporations known as *Markgenossenschaften*, which are composed of persons, not living together on the land itself, but settled here and there, usually in neighboring but sometimes in quite distant places. As a rule, their rights in the *mark* are bound up with their arable holdings. They hold an assembly (to

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A more distinct impression of these processes of settlement may be obtained, Professor Meitzen goes on to argue, from what we find in the hundreds. That the division into hundreds was an early institution of the German people and land cannot be doubted, nor that it had somehow to do with "120 freemen capable of bearing arms — roughly the same thing as 120 fathers of families." Unfortunately, there are certain historical difficulties about the hundreds of what is now Germany; and, to determine their original extent as geographical areas, we must have recourse to the "*Herads* or *Harden* of Schleswig, Jutland and the Danish Isles." "The *Harden* have been the foundation of the judicial and administrative system from time immemorial [*von jeher*], as the Danish laws of the thirteenth century show." Now the average size of the Danish *Herad* turns out to be 5.3 square miles, confuting the opinion of some that the hundred was the territory of 120 villages, and leaving open to us only the other opinion that it was the territory of 120 families. But for what purpose can the people have been divided into groups of 120 families? Not for war — for reasons we must pass over. The

determine upon common action in the use of the woodland) known as a *Märkerding* or *Markgericht*, but more commonly *Holtding*, presided over by an *Obermärker* or *Holzgraf*. There seems to be scarcely any documentary evidence concerning these *marks* earlier than the sixteenth century; and the only conclusion to be derived from their boundaries is that they are not identical with those of the *Gauen* (I, 129; III, 77–80). Professor Meitzen believes, however, and speaks throughout as if there could hardly be any doubt, that these *marks* are "remains of the old national land," and the rights to them "a survival from the national right of every member of the nation to make use of the pasture for his herd," *etc.* He chooses also to employ the term *mark* exclusively in this "stricter and more proper" sense. This usage will not, perhaps, altogether conduce to mutual understanding; but the word is intelligible enough in this sense when explained; and there can be no objection to it if we distinguish what is still unproven theory from the known facts of the case. But it is not clear why Professor Maitland (Domesday Book and Beyond, 354) should speak as if the use of the term "Germanic mark" for the German village was "a fashion" peculiar to "England some years ago." It was, of course, very common with German writers, and their language has influenced later German and French scholars, as well as English. For a very recent example, we may refer to Hildebrand's *Recht und Sitte auf den verschiedenen wirtschaftlichen Kulturstufen* (pp. 175 *seq.*). The fact probably is that the sharp distinction between a "loose" and a "proper" use of the term *mark*, such as we find in Dr. Meitzen and in the earlier chapters of Dr. Lamprecht's *Deutsche Geschichte* is a comparatively recent thing. The difficulty into which it brings Professor Meitzen may be illustrated from I, 573, where he almost complains of the Rhenish documents because "*die begreiflichen Auffassungen von Almende und Mark*" do not show themselves "*mit hinreichender Schärfe*" — that is, the documents do not harmonize with *his* "*Begriffe*."

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reason for the particular number and for the size of its territory is best sought for in the economic field, and it is to be found in the conditions of pastoral life. One hundred and twenty pastoral families, consisting on an average of eight members each, would need for their support an amount of stock which (reducing horses, goats, sheep and swine to the common denominator, cows) may be reckoned at thirty-six hundred cows. Thirty-six hundred cows would need sixteen million kilograms of hay. To produce this quantity of hay, a territory would be required to roam over of about three square miles. Comparing this with the figure 5.3 previously obtained from Denmark, and 2.48, which is the average extent of the Swedish *Herad* in *cultivable* land, we arrive at the probable conclusion that about a hundred and twenty families are to be regarded as "the convenient and customary number to carry on the necessary common operations of a pastoral life." The hundred was originally the band of herdsmen,[1] and the term was naturally transferred to the territory over which its flocks and herds wandered.

Turn now to Germany proper. Cæsar tells us that the Suevi numbered 200,000 men capable of bearing arms. This means about 125,000 families,[2] that is, 1000 hundreds. By a striking coincidence, we find that the territory occupied at that time by the Suevi would actually allow each hundred on the average 2.4 square miles. This was still just enough; but it was a tight fit, even under pastoral conditions.

A doubling of the population, such as might come about in forty years of peace, could not be supported without a resort to tillage. Thus, then, we get to the appearance of villages, and the distinction between them and the *marks*, through the natural development of the original pastoral conditions. The custom of living in camp-companies [*Lagergenossenschaften*] of about one hundred and twenty families was for the time quite satisfactory. But when the numbers grew, and adjoining districts were taken up by other companies, there was nothing left for the mass of the people but to turn to tillage and a settled life, distasteful as these were to them. But in the territory already occupied there remained for a long time a surplus of land not required for agriculture, which was open as before to the rich herd-proprietors to continue their pasturing thereon.

In order that "the settlers" should be free from trouble from the "numerous herds of the pastoral economies" continuing outside, a

[1] *Die Hundertschaft der alte Hirtenhauf.*

[2] Reckoning half the population masculine, half of these children, and one-fifth of the rest impotent, 200,000 adult men means a population of 1,000,000. Reckoning the household at eight persons, the number of families comes out at 125,000.

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certain definite area had to be marked out for them. This was the *Dorfmark*, the *Gemarkung*, the *Flur*, while outside lay the proper or *common mark*, the old *Volksland*.[1]

Some of the *Dorfmark*, it is true, remained uncultivated; this was, however, no longer a portion of the *common mark*, but the exclusive property in common of the settlers in the village. It is best designated *Almende*, to distinguish it from the tilled land actually divided up, on the one hand, and from the *Marks* proper, on the other.

It was equally necessary that the enjoyment of the marks should be free from dispute, and therefore defined.

At first, considerable detachments of the tribe (*Stamm*), especially the richer and more important members of it, will have continued to wander in the old fashion up and down the wide pasture grounds still left to them. But, as, sooner or later, *all* settled down,

something had to be determined about the land still outside the cultivated areas. This must have been the work of "the sovereign power, the tribal assembly." We must think of this power as "authorizing the settlements"; and we cannot suppose the process was carried out "without many proposals, contests, deliberations, agreements and contracts." The final outcome must have been the result of "contractual and legislative arrangements."

Assuming the amount of knowledge and organizing ability implied in the foregoing, we have no difficulty in explaining the *Hufen*. These were the equal shares given, immediately after the land had been taken up, to the several heads of families, themselves equal. "We have also to suppose that there were a certain number of rich men, who provided others with cattle and implements, and set them, whether free or slaves, to work in the *Flur*." It would be a natural corollary from the *Hufen* plan to give such men two or more shares of land, in proportion to the labor force contributed, without regard to the status of the laborers, considering that they would have to bear in like proportion the public burdens which were assessed on the *Hufen*. And finally we have (for various reasons) to think of these village settlements as settlements of kindred (*Familien oder Sippenansiedelungen*). Within the kindred there must have been other inequalities, due to the privileges of the head of kin and the shifting claims of inheritance.

[1] This, it will be observed, is a different use of the word from that in the opening sections. It is akin to the meaning that until recently was attributed to the English *folcland*.

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Here, then, drawn in strong and clear lines, is the constitution of the earliest settled agricultural society in Germany, as set forth by Professor Meitzen. The above statement of his conclusions contains also all the arguments with which he supports them; and it will be sufficient of itself to suggest grave scruples in the way of their acceptance. Without, however, raising any of the more fundamental questions which the problem involves, let us follow Professor Meitzen's own train of thought and call attention to one or two of the difficulties that occur.

Professor Meitzen refers to the phenomena of nomad life in the present day in central Asia as explaining the forces at work in the German transition to agriculture. A convenient collection of citations from von Middendorf and other recent travellers will be found in Professor Hildebrand's *Recht und Sitte*[1] (1896) — a book, be it said in passing, which contains a singularly fresh and independent treatment of the anthropological evidence and of its bearing on the problem of Germanic origins. But when one comes to look into the actual course of affairs among the pastoral peoples of central Asia, one finds that it differs in every single respect from that imagined among the Germans, except in the one circumstance that want of food leads in some way or other to a resort to agriculture. Among the Kirghises and similar peoples, (1) it is occasional individuals, or families here and there, who, falling into poverty from the loss of their herds through pestilence or other causes, (2) are obliged to consent to receive plow-oxen, seed, *etc.*, from the hands of their wealthy neighbors, and stay behind (or return from time to time) to cultivate patches of land, (3) falling thereby into a certain dependence[2] upon the owner of the stock, to whom they pay a fixed proportion of the annual crop, retaining for themselves hardly more than enough to live upon. This is, however, altogether different from the settlement (with the consent and after the deliberation of a sovereign legislature) of whole village groups, consisting of men who, though poorer than others of the tribe, are yet, for the most part, able to set up their little establishments independently of those who do not choose

[1] See p. 47.

[2] It is true, as has been said, that "dependent" and "independent" are "inexact and ambiguous." But it may well be that the situation is incapable of exact and unambiguous statement in modern English. Thus, in the present case, one observer distinguishes only between "*les maîtres du bétail et les laboureurs*," while another does not hesitate to speak of "*Sklaven*." We may be pretty sure, however, that either "laborer" or "slave" would give a mistaken impression. "Dependent" would seem a more entirely non-committal word.

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just yet to settle down. Notice, also, that while the Kirghises are able to go on in the way described for an indefinite time, — the great majority of the tribe, including certainly the wealthy owners of large flocks, showing no disposition to abandon their pastoral life, — Dr. Meitzen imagines all the Germans to have been led, "sooner or later," by the pressure of population on the means of subsistence, to settle down to agriculture, apparently in the same sort of villages as were established by the "poorer freemen" who first set the example.

There is another criticism to offer. Dr. Meitzen's German population is made up of "the rich" (*die Vornehmen*) and "the poorer freemen" — the latter being, however, economically independent. One would hardly guess from his account that there existed any other class.[1] But, if we are to get any suggestions at all from central Asia, it is surely worth while remembering that Tacitus describes a class of persons among the Germans whom he calls *servi*, but goes on to compare to the Roman *coloni* — not, he tells us, attached to their lord's household, but each having his own homestead and paying dues in kind. The resemblance between these Tacitean *servi* and the Kirghis tillers of the soil would seem too obvious to be passed over in silence.[2]

Let us now pass to the second period in the great historical process, the period of transition from the villages and marks thus described to the landlordship (*die Grundherrlichkeit*) of later times. The matter, so far as "the old, never-Romanized national lands"[3] are concerned, is disposed of with the same astonishing brevity. A section of some twenty-eight pages[4] — all that is assigned to it — is occupied with the same large assertions and general considerations as make up the thirty already looked at. But, as it is entitled "the *entrance*" of landlordship, and is preceded by a section entitled "the *origin* of landlordship on Romance soil," we must look first at the latter.

Leaping over the territory between the Weser and the lower Rhine, occupied since a very early period by Celtic *Einzelhöfe*, we find, according to Dr. Meitzen, villages of the German type scattered all over the Celto-Roman territory overrun by the German arms — in south-

[1] The case is imagined of "*Vornehmen*," who "*Freie oder Knechte zur Arbeit in den Flur stellen.*" But this is clearly regarded as exceptional.

[2] When we compare "*frumenti modum . . . dominus injungit ut colono*" with v. Middendorf's "*Anteilswirthschaft ist im Lande durchgängig im Gebrauch, so dass der Arbeiter einen bestimmten Anteil an der Ernte bezieht, im Uebrigen aber nicht eigentlich höriger Knecht ist*," anthropology begins to seem of some use.

[3] The phrase of the first volume "*Volksland*" is replaced in the second by "*Volkslande*" and "*Volksländer.*" [4] II, 294–322.

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ern Germany, on the middle Rhine, and in a great part of northern France and of England.[1] These represent settlements of the national sort (*volksmässigen Dörfergründungen*), wherein the majority of the free tribesmen (*die freien Stammesgenossen*) were able to satisfy the economic impulse which had driven them forward. But by their side were to be found, from the first, something very different, to wit, estates belonging to landlords and cultivated by various classes of dependents; and in some districts, such as northern Gaul, these estates from the beginning greatly preponderated over the free villages. Here the Germans entered as "a ruling, land-possessing, military aristocracy," receiving, as the reward of conquest or from the subsequent favor of the kings, what had previously been the property of the Roman state or of the provincial magnates. Professor Meitzen goes over the familiar ground of the development of the benefice and the feud. Into this we need not follow him: as to the upper stages of the feudal structure there is comparatively little uncertainty. It is with the lower stages that we are now concerned; and, as to these, we gather from Professor Meitzen (1) that such estates were already in large part cultivated by *coloni*, who were left undisturbed; (2) that where *coloni* were not already to be found, or not in sufficient numbers, the new owners would be anxious to bring on to their lands "free or unfree folk who should take holdings in return for services, money payments or rents in kind" (from what classes we may suppose them drawn we are not told); (3) that such newly planted colonies "might, indeed, conform in external appearance to the national popular (*volksthümlich*) village arrangement, *e.g.*, in the partition into *Hufen*, but would really be fundamentally different from them." In such plantations there could be no claim to equal treatment in the allotment of land; accordingly, there would be no reason for the *Gewanne;* indeed, each peasant's land could be given him in a few biggish blocks, of oblong or round shape. We are also shown, following Brunner, the various ways in which the seigneurial jurisdiction can be supposed to have grown up.

But, meanwhile, there also existed, as already observed, in other parts of the conquered provinces "the possessions of the great body of the common German freemen,"[2] which at first and during the early centuries cannot, says Professor Meitzen, have been appreciably affected by the contemporary landlord estates. In the long run,

[1] This conclusion is depicted on Anlage 66 *a*.

[2] "*Der Besitz der angesiedelten gemeinfreien deutschen Volksmasse;*" II, 280. *Cf.* the observation as to "*die altherkömmliche Volksgemeinde*, II, 275.

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however, even the old original free settlements fell in large measure under the power of lords. But as to the how and the why Professor Meitzen has little to tell us. Indeed, he seems to pass over the problem very lightly, and is inclined to forget the sharp distinctions which he drew at the outset. So far as we can disentangle his meaning, it is that the fall of the common freeman was due to royal grants of jurisdiction and military command from above, and to commendation and surrenders of various kinds on the part of the peasants from below. But there is absolutely not a single reference given in the few pages devoted to the subject. Professor Meitzen evidently regards himself as building on the sure foundation of German historical science. The explanation, inadequate before, does not sound any the more adequate as he states it.

Pass now from these Romance lands to the untouched-German soil, and we shall find that, in Professor Meitzen's view, the same process was repeated there, with apparently these two differences: first, that it took place some centuries later (not beginning in the Saxon land till the campaign of Charles the Great in 782); and, secondly, that the form of landlordism that now entered into competition with the *alten Volksthum* was the Frankish seigneury, the hybrid growth (*die neue Mischform*) from the diverse forces at work in the earlier period on Romance soil. From the forest lands (the *marks*), taken more or less into the possession of the conqueror, lordships were carved, and the like was done with confiscated lands. For these estates their new owners would seek to get tenants; as before, we are not told where they were to come from. Even with those freemen who remained undisturbed in their holdings, the situation must have been fundamentally changed by a concurrence of forces: from below, by the need of commendation or surrender to a lord to secure protection or relief from public burdens, by the introduction of the Roman theory of property, and by surrender to the church; from above, by grants of a jurisdiction which ultimately turned itself into landlordship. As before, all this is apparently offered to us as the unquestioned result of historical inquiry. If it is in any way rendered a more sufficient explanation of subsequent facts by the mass of modern agrarian data accumulated by Professor Meitzen, the fact is not apparent in these sections; and, to judge from the careful table of contents, there is no other appropriate place for it.

It may be observed, however, that Professor Meitzen departs occasionally from his own position that "the condition of public law must be supposed in all essentials the same at the time of the

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Frankish invasion as at the time of Tacitus" — that is, as described by him. Thus, apropos of Nithard's division of the Saxon people into *edhilingi*, *frilingi* and *lazzi*, he remarks that "in these *lazzi* we are to see conquered folk who had been allowed to remain in their old possessions, paying dues, and with a diminished freedom."[1] In his account of Tacitean times, as we have seen, no such class is contemplated. Later he speaks of the surrender by individuals of separate *Hufen* to magnates, "shaking both the popular common and the free *lassitic peasant communities* in their communal independence."[2] And we are told of "crown lands" and of "estates (*Güter*) of the nobles," such as we should hardly expect in a *Volksland* so *volksthümlich*, as we have had it described to us.

As the present writer has worked his way through the two or three sections selected for special examination, he must confess that his disappointment has deepened. What Professor Meitzen has done has been to show the possibility of new and interesting means of approach to the solution of a great problem, the genesis of mediæval serfdom.[3] That means of approach is the study of agricultural practice and rural conditions as they are to be found to-day, and in periods for which we have abundant evidence. Thereby he has opened a new period in the work of the economic historian. And he has contributed towards the data of this study a great mass of material. Yet it cannot but prove a hindrance to the proper use of his work, and it will probably delay not a few in their unbiased approach to the field, that he has at the same time spoken in the tone of one who can already determine the fundamental questions involved. The main lines of his theory, so far as central Europe is concerned, are after all nothing but those already laid down by the school of German constitutional and legal historians which reached its highest points in Waitz and Brunner. With his agrarian-economic material it has the loosest possible connection. And as the general conclusions of the German mediævalists are hardly any longer (outside Germany) received with the same confidence as of yore, as the beautiful picture of the German freeman is now beginning somewhat to fade, we shall perhaps best show our gratitude to Professor Meitzen by assiduously combining and recombining the definite facts he lavishes upon us, while carefully putting on one side, for the time, the broad generalizations by which they are accompanied.

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[1] I, 297. [2] I, 304. The German sentence really cannot be translated.
[3] In the modern literary sense of the term.

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REVIEWS.

The Chances of Death and Other Studies in Evolution. By KARL PEARSON, Professor of Applied Mathematics in University College, London. London and New York, Edward Arnold, 1897. — ix, 388 ; 460 pp.

A worse title and a better book were never put together than in these two important volumes, the work of a writer who, within a comparatively few years, has come to the front as a profound and scholarly student of social questions. Professor Pearson's contributions to the *Journal of the Royal Statistical Society* and to the *Philosophical Transactions* have been masterpieces of statistical method and acute interpretation, but have been known only to specialists. In the present work he discusses a large number of questions of more general interest and of wide range, in a style so luminous and pleasing that readers without any special training in the technicalities of sociological investigation will easily follow him with sustained interest. The first essay, which has lent its title to the collection, is an analysis of mortality statistics, with a view to showing what are mathematically the chances of death at different age periods in the different social classes and nationalities, under varying conditions. It is, in many respects, the most technical and the least interesting study in the two volumes, and should by no means have received such prominence as results from the application of its title to the entire work. The general reader will be deceived by the rather sensational suggestiveness of the title, while the serious student of sociology, to whom Professor Pearson's studies are of the utmost value, will never suspect the true character of the contents of these volumes until it is made known to him by the reviewer.

The second essay, on "The Scientific Aspect of Monte Carlo Roulette," is, like the first, a semi-technical mathematical study, of the sort which appeals to all lovers of games of chance and to the curiosity of those who suspect that chance is, after all, only a peculiar product of mathematical laws. This, of course, is what the mathematicians affirm ; and Professor Pearson's article is simply an attempt to convince the general reader that, strictly speaking, chance does not exist.

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Turning from these preliminary studies, which have relatively little in common with the remaining essays, the reader plunges into discussions of the most modern and the most momentous problems of social organization, social policy and social history. Such topics as reproductive selection, socialism and natural selection, politics and science, reaction and rationalism, woman and labor, variation in man and woman, make up the contents of Volume I. Volume II consists of "Woman as Witch" — evidences of mother-right in the customs of mediæval witchcraft; "Ashiepattle: or Hans Seeks His Luck" — a study in folklore; "Kindred Group-Marriage" — a critical examination of the philological evidences that in primitive times the Germanic races were organized on a basis of kinship through mothers; and, finally, "The German Passion Play" — an elaborate study in the evolution of Western Christianity. This is a range which reveals a mind capable of dealing with most varied subjects. Examination of the essays themselves satisfies the reader that Professor Pearson has also the training and the exact scholarship which qualify him to enter with equal ease upon investigations so diverse as to require, upon the one hand, the methods of the mathematician and, upon the other, those of the comparative philologist.

The present review will be confined to the essays directly or indirectly dealing with the relation of natural processes in society to the question of socialistic policy, and to those which make new contributions to our knowledge of the early evolution of the European peoples. Other essays, notably those on "Science and Politics" and "Reaction," with their exposure of the philosophical shallowness of Salisbury and Balfour, are well worthy of serious attention. The sociological studies, however, are naturally of greater importance to the readers who may be expected to consult this review.

Professor Pearson believes that the term "natural selection" has been too loosely used in discussions of social evolution. Readers who have wrestled with the peculiar reasoning of Mr. Benjamin Kidd will admit that this complaint is not without basis. Professor Pearson would use the term "natural selection" only for the results of a selective death-rate. If, through maladjustment to the environment or through inability to obtain nutrition in competition with stronger or more skilful rivals, certain individuals of any given species or class prematurely perish, and the race is perpetuated by those whose activities are better adapted to the conditions of existence, the process is a true natural selection. Another proc-

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ess Professor Pearson would call "reproductive selection." This is the perpetuation of certain types and the extinction of others through mere differences of fertility, rather than through different degrees of success in obtaining the food necessary to sustain life. Undoubtedly the two processes thus described are different; but nothing is gained and much is lost by arbitrarily restricting the term "natural selection" to one of them, while denying it to the other. Natural selection is a broad and general result of the co-working of many special processes, one of which is the selective death-rate, while the selective birth-rate is another. This criticism, moreover, is not a mere disagreement over the use of words. Professor Pearson's attempt to show a radical difference between the selective birth-rate and the selective death-rate will not bear a close examination. All of the most recent work in biology points conclusively to a close connection between nutrition and fertility. Professor Pearson himself, moreover, is not consistent in his own use of terms. In the essay on "Socialism and Natural Selection" he analyzes the process of natural selection into no less than three lesser processes. One of these he calls physical selection. This is the selective death-rate which is attributable to the direct action of the physical environment upon the organism through climate, disease, and wear and tear. Another is an intra-group struggle between individuals or classes, a rivalry for the means of subsistence — in short, for food. The third is an extra-group struggle, or the competition of tribes or nations with one another for the control of territory and commerce, and thereby, in the last analysis, for the means of subsistence. Surely, if the term "natural selection" is to cover these modes of selection, it should also cover all other modes of selection which are cosmic processes, in distinction from all modes of artificial selection invented and consciously applied by the human mind.

Professor Pearson's conclusions in regard to the reproductive selection that is now going on in civilized communities are not altogether cheerful. The statistics that he marshals appear to confirm the popular view that the well-to-do and cultivated classes are not holding their own in the race with the poor, ignorant, pauperized and criminal elements of the population. The essay on this subject contains what is, perhaps, the most brilliant application of mathematical methods that has yet been made in any quarter to the investigation of social problems. This is a demonstration of the extent to which the voluntary restriction of the birth-rate by abortion and the use of means to prevent conception is being practiced. One

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would have imagined that no subject could have been more completely beyond the reach of exact knowledge. The means of treating it, however, are of the simplest description. Natural fertility uninfluenced by artificial conditions gives a perfectly smooth mathematical curve of birth-rates. That is to say, if, in a given population, we find the number of families of one, two, three, four, five children, and so on up to nineteen or twenty, the curve connecting these numbers will rise and fall with perfect regularity, smoothly rising to a point between three and four, and then as smoothly descending with the diminishing number of families having five, six, seven, eight, nine, ten or more children each. The curve given by actual statistics, however, shows a remarkable deviation from this normal perfection. There is a great dip between three and seven. In other words, while there is an even increase in the number of families which have from one to three children and an even decrease in the number which have seven or more, there is a peculiar falling off in the number of those which have from three to seven. This is due wholly to artificial causes; and the difference between the normal fertility curve and the actual statistical curve is the mathematical measure of the artificial limitation of the birth-rate.

It is in ingenious demonstrations of this kind that Professor Pearson is at his best. When he goes beyond these rather technical reasoning processes, he shows some curious failures to examine all the factors of his problem; and his wider conclusions are therefore not to be hastily accepted at their face value. The pessimistic conclusion that the better elements of civilized populations are not holding their own, though agreeing, as it does, with popular belief, is a case in point. Professor Pearson utterly ignores, as other statisticians before him have done, two facts of the first importance. One is that conclusions drawn from city populations cannot be accepted as true for the entire population of a nation. The time may come when more than half of the civilized population of the globe will live in great cities; but it has not yet arrived. As yet only about one-third of the population of the United States lives in cities of 8,000 or more inhabitants. The rural population has a high potentiality of intelligence and cultivation, and it is for the most part still vigorous. It has a relatively high rate of net fertility — that is to say, a high positive excess of birth-rate over death-rate. The second fact which Professor Pearson ignores is the increasing segregation of the defective and delinquent classes. Imperfect as our methods of dealing with paupers and criminals still are, we are

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making some steady progress in checking the reproduction of these elements. The hospital treatment and confinement of the epileptic and the insane, and to some extent of the inebriate, the separation of male and female paupers, the cumulative sentences of habitual criminals — all are diminishing surely, though slowly, the actual rate of reproduction of these undesirable classes in the community.

A similar criticism must be passed upon Professor Pearson's views of the relations of natural selection to socialism. His own sympathies are evidently with the socialistic movement. His argument in support of it is, on the whole, the ablest and, within the limits of its legitimate application, the soundest that has anywhere been offered. Replying to the contention of Mr. Herbert Spencer and of other pronounced individualists that natural selection is the absolutely necessary condition of progress, and that industrial stagnation, intellectual mediocrity and perhaps physical degeneration would follow any successful attempt to prevent the supplanting of the weak by the strong in human communities, Professor Pearson insists that progress now depends upon a rigorous limitation of intra-group competition in the interest of a successful extra-group competition. The supremacy of England, for example, does not now depend upon an increasing difference between the more highly developed and the less highly developed classes, but rather on her ability to hold her own with other great national powers in the struggle for territory and markets. In this struggle, social cohesion, rather than individual development, is of the greatest importance. A civil contest between the cultured and the ignorant, the rich and the poor, might be the fatal weakness which would give success to her rivals. As Professor Pearson very happily puts it, a nation would be crushed which proceeded on the assumption that it is better to have a few prize cattle among innumerable lean kine than to have a decently bred and properly fed herd, with no expectations at Smithfield. This argument reappears in the essay on woman and labor. Legislation conferring special industrial privileges upon wage-earners in general, and upon women in particular, is a limitation of intra-group competition; but it is justifiable, in Professor Pearson's belief, if it strengthens social cohesion and so improves the national chances in the extra-group competition.

Obviously, the sound conclusion from all this is different from that which Professor Pearson offers. A rank individualism would remove all restraints upon intra-group competition, ignoring the perils of the extra-group struggle. Socialism, in view of extra-

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group competition, would, so far as possible, utterly suppress the competition between individuals and classes. The common sense of mankind has always seen that either of these extreme policies would be disastrous. A measure of intra-group competition and natural selection is necessary for progress. At the same time, social cohesion is no less necessary for success in the world struggle. A sound social policy endeavors always to maintain social cohesion with a minimum restriction of individual liberty.

Of Professor Pearson's studies of the early social evolution of the Germanic races, only the warmest praise can be recorded. In his essay on "Woman as Witch" and in that on "Kindred Group-Marriage" he has marshaled an array of evidence from custom, superstition, folklore and philology which will render it extremely difficult for any student who patiently follows him hereafter to defend the rapidly crumbling belief that the Aryan races were originally patriarchal in their social organization, and that metronymic relationships prevailed only among inferior peoples. The witch, as Professor Pearson clearly shows, was originally a tribal priestess; and priestesses are not found in a patriarchal society, except as survivals from the earlier days of mother-right. May-day festivities and innumerable forms of dancing and choral song, still found among the European peasantry, are survivals of festivities which originally were licentious in character and integral parts of a metronymic social order. The study of "Kindred Group-Marriage" is a detailed examination of the Germanic and Celtic words for sex and kinship. No student of Germanic origins can afford to ignore Professor Pearson's work in this field.

FRANKLIN H. GIDDINGS.

Statistik und Gesellschaftslehre. Von DR. GEORG VON MAYR. Zweiter Band: *Bevölkerungsstatistik.* Freiburg i. B., Verlag von J. C. B. Mohr, 1897. — 486 pp.

This is the second volume of Dr. von Mayr's monumental work on statistics. The first[1] covered the theory, method and technique of the science, together with a consideration of statistical administration and a sketch of the history of statistics. Having thus already told us what statistical science is, its object, its method, its practice and its history, the author proposes in the present and a third volume to give us results — that is, actual statistics. This is to be done, not in a merely descriptive or encyclopædic way, but scientifically — that is,

[1] See POLITICAL SCIENCE QUARTERLY, X, 475 (September, 1895).

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with the aid of the apparatus described in the first volume. This method of treatment turns the "*praktische Statistik*" into an "*exacte Socialwissenschaft.*"

This conception of statistics is an interesting one and deserves a moment's consideration before speaking of the results as displayed in this volume. The process of statistical investigation comprises three steps. The first consists in establishing the statistical facts, *i.e.*, pure observation. The second consists in comparing the facts. This comparison can be either in space, *e.g.*, birth-rates in different countries; or it may be in time, *e.g.*, varying birth-rate in England from year to year. The third step consists in generalization from these comparisons, so as to establish regularities or laws. A systematic presentation of all the facts capable of statistical observation, correct comparison of them and truthful generalization from them would constitute the complete "*praktische Statistik*" noticed above.

As a matter of fact, we are very far from having complete observation of all social phenomena capable of statistical measurement. Still further, the material we have is often unsatisfactory; and for many regions exact observations are entirely lacking, *e.g.*, the population of Africa. Scientific method, in the present state of our knowledge, consists to a large extent, therefore, in describing how imperfect the material is, how faulty most comparisons must be, and *a fortiori* upon what doubtful basis our generalizations, or laws, must rest. This seems something of a drop from the ambitious *rôle* of an "*exacte Socialwissenschaft*"; but it is a tribute to the honesty, conscientiousness and exhaustive learning of the author that his method thus seems to pull out the foundations from the very science it is seeking to establish. It is self-evident that this is the only honest way of proceeding, and that we gain more by criticism than we should gain by superficial generalities and vague analogies. Possibly there is a lesson here for the sociologists.

An outline of the treatment of a single topic will illustrate all the above points. Taking up population statistics, in the English sense of vital statistics, the author says that "our ideal field of investigation (*Forschungsgebiet*) would be the totality of the masses of human individuals which have existed in the past, which exist in the present, and which shall exist in the future" (p. 8). The practical limitations upon this ideal are at once evident: we have scarcely any knowledge of the past; of great masses of existing men we have no statistical observation; and of the few civilized nations which cultivate statistics our knowledge is very incomplete. In the last case our knowledge of

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population is based partly on estimate, partly on official calculation, and only partly on enumeration. The enumerations or censuses vary in exactness, in technical method, in completeness and in variety of observation. It is only after this laborious consideration of the method of observation that we get to the results of population statistics, such as the population of different countries, rate of increase, density, distribution in city and country, and classification by sex, age, conjugal condition, nationality, domicile, birthplace, occupation, *etc.* The rest of the volume treats in a similar way of births, deaths and marriages; while for a third volume are reserved moral, intellectual, economic and political statistics.

It has seemed best in this review simply to indicate Dr. von Mayr's method. It remains to be added that this is carried out with great thoroughness. The book is a most complete encyclopædia of statistical facts. The bibliography is exhaustive, and is given piecemeal in connection with each section. This necessitates an enormous amount of repetition of titles, but renders reference to specific topics extremely easy. The critical apparatus sometimes appears a little ponderous, but it is as important in the present state of statistical knowledge to know what the figures do not show as to know what they do show. No one who wishes his statistical knowledge of social phenomena to be critical and exact can afford to neglect this work, even if he uses it only as an encyclopædia.

RICHMOND MAYO-SMITH.

Wesen und Zweck der Politik, als Theil der Sociologie und Grundlage der Staatswissenschaften. Von GUSTAV RATZENHOFER. Brockhaus, Leipzig, 1893.— Drei Bände, pp. i–x, 400, 363, 475.

This treatise on political philosophy takes the same general standpoint as that which is found in Willoughby's much more compendious volume on *The Nature of the State.* According to Ratzenhofer, the nature and purpose of public policy has to be determined (1) by studying the sociological foundations of organized authority; (2) by defining the universal elements inherent in public policy itself, including political individuality, interests, conflicts, systems; (3) by describing the state as the organized form within which the political functions have their scope and development as part of the social process. The author here gives prominence to the play of those political interests on the basis of which parties are organized, and discusses the functions of the two great divisions of political popula-

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tion — the party in power and the opposition party. Considerable space is devoted to the subject of party tactics in both divisions of political influence.

The second volume is taken up with the foreign or external policy of the state and with the general social policy within the state. The second half of this volume goes rather fully into the relations of the public authority to such general social factors as nationality, religious confession, race, "*zeitgeist*," aggregations of capital, "terrorism" and all that is comprised under communistic, ecclesiastical, humanitarian and cultural tendencies in the highly complex modern state.

The third volume alone treats of the second part of the subject — the purposes of the political power in the state. Yet this is by far the most suggestive portion of the work. We have (1) the purpose of politics in general; (2) the internal policy of the civilized state; (3) the external policy of the civilized state; (4) the social policy of the civilized state, including the relations of the political authority to economic corporations, the ecclesiastical authorities and the cultural antagonisms peculiar to the composite state; and (5) a concluding critique on civilization, ending with a sociological survey of socialism, communism and individualism.

These volumes furnish new evidence that the sociological standpoint has become sufficiently differentiated from that which regards the state as the most general form within which the life of society may be systematically considered. Taken together with Barth's recent volume on *Geschichte der Philosophie als Sociologie*, it would seem that sociology is gradually, though not always intentionally, being differentiated from other fields of research by those working therein quite as truly as by the sociologists themselves. Ratzenhofer's conception of sociology is in the main naturalistic: for him sociology affords the natural background, a basis upon which we may work out a science of politics which is essentially a science of social conflict.

JOHN FRANKLIN CROWELL.

NEW YORK CITY.

L'Enseignement primaire dans les pays civilisés. Par E. LEVASSEUR. Paris, Berger-Levrault et Cie, 1897. — 628 pp.

For many years the distinguished French savant and statistician, M. Levasseur, has devoted attention to the question of public education. Himself for many years engaged in secondary and later in the higher education, a profound student of social history (*vide L'Histoire des classes ouvrières en France*), an accomplished economist

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and statistician, a traveller in foreign lands, a keen observer of and sympathizer with modern liberal tendencies, no one could be better fitted to describe the effort of democracy to educate the people.

It is not an easy task to comprehend and rightly appreciate this great movement. Each nation has gone at the task according to its own methods, bound down by its history and traditions, seeking to attain its own ideals. Each system must be studied by itself and judged according to its own effects. M. Levasseur does this with great care and conscientiousness, sketching the history of public education in each country and describing modern legislation and administration. Still more difficult is any comparison of results. Education is a question of quality rather than of quantity; but comparisons of quality are out of the question. About all we can get, therefore, are vague indications of the thoroughness with which the different countries are accomplishing the ideal of democracy, namely, giving to each child the elements of knowledge.

No one is better aware than M. Levasseur of the inadequateness of mere statistics to describe social phenomena of this kind. Yet, if used with skill, they throw some light on the question of progress. Such skill is displayed in every chapter of this book. The author compares the number of pupils enrolled in primary schools, public, parochial and private, at succeeding periods; he gives the proportion of the enrollment to the total population of school age; he studies the average attendance or the attendance on certain days; he tries to fix the minimum requirements which are demanded by the state; the number of teachers compared with the classes or number of pupils; the provision for continuing studies in higher schools or in night schools; the provision for preparing teachers in normal schools; and, where it is possible, the quality of the teachers. The material side is measured by the number of school buildings, the general scale of salaries of teachers, the total expenditure for education, the particular items of expenditure, the sources of income and the burden upon parents and upon the community. Finally, a vague measurement of the results of public education is found in the statistics of illiteracy. M. Levasseur shows his skill as a statistician in marshalling these figures in systematic order and giving the exact documentary source of information; he shows his conscientiousness as a social philosopher in the strictly limited value that he assigns to them. The book is, therefore, heartily commended both to statisticians and to students of education.

RICHMOND MAYO-SMITH.

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Arbeit und Rhythmus. Von KARL BUECHER. Leipzig, S. Hertzel, 1896. — 130 pp.

The learned professor at Leipzig, who won his spurs several years ago by his scholarly studies of the mediæval population of Frankfort, and who later extended his reputation by his brilliant essays on the origin of economic life, now lays a still wider public under obligation by this remarkably suggestive work published by the Royal Saxon Academy of Science. The work is really a study in primitive anthropology, for it is an attempt to investigate the origin of poetry and music. Its interest to economists lies in the fact that Bücher seeks to give an economic interpretation to the evolution of these arts. As the idea is novel, it may be worth while to give a somewhat full account of it.

In the first chapter the author discusses the methods of labor in primitive peoples. He shows that labor itself is an historical category — that man does not work for the love of work and that we cannot assume any natural impulse to work. At the same time, as labor of some kind is necessary, we find coöperative or associated labor assuming more and more importance with the development of society.

In the second chapter he seeks to prove that automatic or purely mechanical movements were among the chief means of overcoming the original disinclination to conscious work. He touches on the psychology of motion, and shows that in the ordinary occupations of life the more protracted the muscular labor, the greater the tendency to observe a certain rhythm. The blacksmith, the carpenter, the thresher let their blows or movements follow in a definite order. The earliest rhythm is, therefore, simply a labor rhythm, where the beats are equal. The tune rhythm develops out of the original labor rhythm when the beats begin to differ from each other in strength or in duration. Numerous examples are given from everyday occupations, such as mowing or weaving or coopering, where various tones are produced in this way. The more coöperative the labor, the more frequently do we find in primitive peoples that the work is done in time or in concert. From this tone rhythm of the work itself, it is only a short step to the employment of the human voice; and thus we get the earliest labor songs.

The third chapter of the work deals with these artificial time beats, or labor songs. Dr. Bücher has collected from all sources, from all ages and from all countries an astonishing number of these labor songs. This chapter alone would repay the reading of the monograph.

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In the fourth chapter the author reaches the origin of poetry and music. He shows — what of course was well known before — that poetry and music were originally one — that the bard was the musician. But the rhythmical unity, he maintains, is a triple compound, of which the essential element is labor. He maintains that the same is true of dancing — that, in their origin, music and dancing were one, as is proved by the fact that many nations have only one word to express both ideas. In his opinion the rhythmical element in dancing also rests upon antecedent labor. Confining his attention, however, to music and poetry proper, he shows that both linguistic and musical rhythm depend upon bodily movements; that the first musical instruments were nothing but a development of work tools; that dramatic, lyric and epic poetry can be readily explained as a natural evolution from the primitive labor songs; and that metre itself is intimately associated with this primitive rhythm. Finally, the author devotes a chapter to rhythm as a principle of economic development. He shows how it keeps pace with the various stages of technique, and he believes that in rhythm we shall find one of the chief aids to coöperative economic activity. In its origin, therefore, art — or, at all events, one chief form of art — springs from bodily necessities; and although, when once differentiated from labor, it pursues its own independent and ideal course, at the outset the artistic and economic life were one. Art, then, must not only be considered as valuable for its own sake, but must receive added significance as contributing to the development of economic life.

This, in short, is Dr. Bücher's doctrine. As a study of coöperative labor it is exceedingly suggestive: in fact, Dr. Bücher tells us that he was led to this idea through an investigation of the development of associative effort. There are, it is true, not a few hazardous conjectures and exaggerated claims — as, for instance, the assumed close connection between labor and dancing. Critics will undoubtedly answer that the earliest form of dance is the war dance, and that only by a violent stretch of the imagination can the activities of war and of labor, in general, be termed synonymous. Psychologists, again, will no doubt maintain that the author has unduly minimized the emotional side of human nature, which can be identified only to a very slight degree with the manifestation of that muscular effort which we call labor.

But, whatever be the criticism in detail, there is no doubt that Dr. Bücher has called attention to an important and hitherto neglected factor, even if it be not the only factor, in the problem.

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A comparison of his monograph with such a recent work as Grosse's *The Beginnings of Art* shows how far more profound and original is Dr. Bücher's treatment. The facts which he heaps up in profusion are too important to be brushed aside with a contemptuous wave of the hand. Even if he has not discovered the whole truth, he has called our attention to a most interesting element in the evolution of human activity. One need not be an advocate of "economic materialism" to appreciate the importance of Dr. Bücher's latest and most brilliant investigations. EDWIN R. A. SELIGMAN.

Neue Beiträge zur Frage der Arbeitslosen-Versicherung. Von DR. GEORG SCHANZ. Berlin, Carl Heymanns Verlag, 1897.

It is nearly twelve years since the writer heard from a German economist of note the opinion that insurance against worklessness was only a question of time. In 1891 Dr. Georg Adler expressed the same view. In 1892 Dr. Zacher read before one of the economic societies in Berlin a paper, in which a very skilful attempt was made to show that something like scientific prevision was possible as to the proportion of the idle in the different trades. It was ably argued that this might become a safe basis for future insurance against this evil. At that time it was probably the most bizarre proposal that any one had ventured to make for lessening social ills. The important book published in 1895 by Dr. Schanz, of Würzburg, on the general question of insurance against lack of work, showed, however, how far and how rapidly the theory and the practice had advanced.

It is usual to say that this form of insurance began in Bern. If terms are used rather loosely, this may be admitted; but the plan in Bern bears quite as much resemblance to a form of ordinary charitable relief as to insurance. It is better to begin with the German *Arbeitsnachweis* that has now a history of some dozen years. In the report of this important movement (*Allgemeine Arbeitsnachweis in Deutschland*) which Dr. Freund has just issued, the reader may see how deep a root this system of finding work for the workless has already taken. Reports from different German cities show that in a single year above twenty thousand places for the workless are found. The rise of the *Arbeitsnachweis* has raised the most fundamental questions. It assumes that the current forces of supply and demand cannot be trusted to meet the evil of enforced idleness. It shifts the ground of responsibility, admitting that the causes of much of the lack of employment are beyond control alike of employer and of employed. There was the strongest opposition to the admission

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of the principle of social responsibility for such a condition as that of lack of employment; but, in a report before the conference in 1896, Dr. von Reitzenstein said that this opposition has for the most part yielded before the evidence gathered during the last four or five years. Dr. Freund, as head of the movement, now asks that the labor bureaus of the whole country be brought under one common and unified plan of control. This organized attempt on the part of society to keep at work those who are in forced idleness cannot be called insurance, and yet it is a distinct attempt in that direction.

The next step in the development was at Bern, where a voluntary scheme was put in operation. Strictly as an insurance plan, this was clumsy. It included laborers from all different trades. During the first year, 1893–94, there were but 404 volunteers, of whom 216 made claims upon the fund. Even this small number fell off in the second year. It is unfair to criticise this scheme too sharply, as it was admittedly experimental. Under recent modifications of the system the numbers have somewhat increased. Brief as this Bernese history is, it throws much light on the problem as it appears in its later stages of development. The need of a far more careful classification both of workmen and of premiums to be paid has become apparent. The sharp limits of the voluntary method have also shown themselves. The traditional reasons against compulsion are obvious and powerful; but a mass of experience is at hand to show that, if any considerable part of those who most need insurance are to have its supposed advantages, compulsion is a necessity. This whole question was argued out to the last detail in Germany during the ten years that preceded the first of the workingmen's insurance laws. It was found that, *if* the working classes were to be insured, the voluntary method could not be trusted. Everywhere the testimony was the same: a large portion of the strong, the skilled, the efficient freely insured themselves; but the very ones who most need insuring took no advantage of the opportunity. The political liberals used this fact as a telling argument against the whole scheme. The experience of at least five European countries shows that when the general interest in the question of working-class insurance reaches a certain point, the argument against compulsion loses its hold upon those who are practically interested in the problem. The history of insurance against worklessness in Saint Gall shows how rapidly opinion changes on this question of compulsion, and also how extremely difficult it is to make compulsion satisfactory to electors in a democratic community like Switzerland.

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The second volume of Professor Schanz's work puts before us the most recent experience in Switzerland, Germany and Italy. These *Neue Beiträge* merely carry on the investigations which appeared in the larger work bearing the same title, which appeared in 1895. The author's studies led him to doubt the efficacy of compulsory attempts of the Saint Gall type and to work out a system of his own, which he calls "compulsory saving" — *Der Sparzwang als Ersatz der Arbeitslosen-Versicherung*. Under this plan every workman who would come under the requirements of the insurance scheme is compelled to pay weekly twenty pfennigs, and for seasonal work correspondingly higher. This payment is to be made through the employer, who deducts from the wage the weekly dues. A compulsory fund is thus formed, from which the unemployed are supported. The employer must keep the administrators of this fund (the *Krankenkasse* is used for this purpose) informed about the working time of each laborer. Each worker must thus create the fund from which he is to be supported, or "insured." He is therefore under the most powerful motive to keep or to secure work and to leave his accumulation untouched.

In the new volume Dr. Schanz, with a good deal of ingenuity, meets the various objections that have been raised against his proposals. It is obvious that a systematized, compulsory saving would have marked advantages; but it puzzles the reader to see how one can have so firm a confidence that the workingmen generally would *vote for a law* under which the scheme could have adequate trial. The plan at Saint Gall has failed, at least temporarily, because of the jealousy of those workmen who felt that too many idlers and unskilled laborers were receiving the chief advantage of the fund. The reorganization may avoid this very fundamental difficulty; but, unless the workingmen have unusual qualities, they are not likely to vote away a portion of their earnings for such a purpose. This method may be as much better than other attempts as direct taxation is theoretically better than our wasteful indirection. The people will not, however, vote for the simplest and most economic form of raising necessary public expenses; and it is perhaps quite as doubtful if the wage-earning electors can be led to accumulate a fund from their own income. Can one imagine, for instance, any considerable portion of the two million Socialist voters in Germany giving it their votes? It may, however, be conceded that — like a simple scheme of direct taxation — the plan hit upon by Dr. Schanz is theoretically excellent.

JOHN GRAHAM BROOKS.

CAMBRIDGE, MASS.

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The Street Railway System of Philadelphia: its History and Present Condition. By FREDERIC W. SPEIRS. Johns Hopkins University Studies in Historical and Political Science, Fifteenth Series, III–V. Baltimore, The Johns Hopkins Press, 1897. — 123 pp.

The Street Railway Problem in Cleveland: a Statement of Existing Conditions; and a Discussion of the Policy which the City should Pursue with regard to its Street Railways. By WILLIAM ROWLAND HOPKINS. Economic Studies, Vol. I, Nos. 5–6. New York, published for the American Economic Association by The Macmillan Company, 1896. — 94 pp.

The City of Cleveland in Relation to the Street Railway Question. By FREDERIC C. HOWE. Bulletin of the Municipal Association of Cleveland, O. Cleveland, 1897. — 19 pp.

Ninth Biennial Report of the Bureau of Labor Statistics of Illinois. Subject: Franchises and Taxation. Springfield, State Printers, 1897. — 320 pp.

Extracts from the Eighteenth Annual Report of the Missouri Bureau of Labor Statistics, relating to Street Railway Franchises. By LEE MERIWETHER. Jefferson City, State Printers, 1897. — 16 pp.

Report and Testimony of the Special Committee of the [New York] Assembly to Investigate the Desirability of Municipal Ownership of the Street and Elevated Railroads of the Various Cities of the State. Albany and New York, State Printers, 1896. — 2 vols., 1971 pp.

If street railways have been somewhat slighted hitherto by writers on economic subjects, there is evidence that a reaction has set in, and that local transportation systems are now seen to be well worth studying, both in and of themselves and in their relations to state and city governments. The official and private investigators who have recently studied the street railways of New York, Philadelphia, Cleveland, Chicago, St. Louis and Kansas City have found strikingly similar conditions in these widely separated cities. The phenomena of over-capitalization, excessive profits and evasion of legal obligations are everywhere observed. In all these cities the street railway companies enjoy franchises of great value, for which they make very inadequate returns; and they are subject to no efficient public control. Franchises have been granted in all these places for little or

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no remuneration, in the face of determined public opposition and under circumstances pointing strongly to corrupt influences. It is evident that American cities have not yet learned how to deal with their street railway companies. The most encouraging feature of the situation, however, is the appearance of these rather discouraging monographs, for they give evidence of the awakening of an interest which they cannot fail to stimulate.

Professor Speirs' admirable study begins with a sketch of the development of the Philadelphia street railway system, and, after narrating the early struggles over Sunday cars and the exclusion of negroes, passes to the more important subject of the evolution of monopoly. Here it is shown that there was at first an alliance through a board made up of the presidents of the various companies, and finally a series of consolidations which united under a single management all but one of more than a score of originally separate lines. Then follows an account of Pennsylvania's rather unsuccessful attempts to secure publicity through statements of the financial condition of the companies. It appears that Philadelphia probably has the right, under an ordinance of 1857, to purchase its street railways at the original cost of construction, and there has been some agitation for taking advantage of the right. A chapter on "Corporate Influence in State and Municipal Government" is devoted to telling how the legislature and city councils have given away franchises. A final chapter deals with the relations between the railway companies and their employees.

In Cleveland the story of the process of consolidation and of the apparently corrupt relations between the street railways and the legislators and councilmen differs only in details from that of Philadelphia. The state law requiring franchises for new lines to be sold to the bidder offering the lowest fares has been rendered ineffectual by the practice of authorizing the opening of new routes by the old companies as extensions, without competitive sales. After sketching the history and present condition of the Cleveland lines, Mr. Hopkins discusses the relative merits and difficulties of municipal and of private ownership; and, in view of the great cost of purchase and the probable lack of economy in municipal operation, he decides in favor of the franchise system, though advocating the reduction of fares and other changes. As for the proposal to purchase the tracks in order to lease them again, he points out a truth which is often overlooked, namely, that there is little difference in principle between leasing streets with tracks in them and disposing of the streets alone.

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Mr. Howe's brochure was written in opposition to certain proposed ordinances for the extension of franchises, introduced according to custom several years before the expiration of the existing grants. The ordinances provided for some slight concessions to the city, but Mr. Howe shows their inadequacy by comparing them with the arrangements made in Detroit, Reading, Indianapolis, Toronto, Montreal, Richmond, Baltimore and New York; and he points out that the burden of proof should be upon the companies asking for concessions, to show why the conditions should not be as stringent as in other cities. He would make provision for revaluations every eight or ten years, as well as for purchase by the city.

The greater portion of the latest report of the Illinois bureau of labor statistics is devoted to street railway franchises in Chicago; and this part of the report, together with chapters on telephones and gas companies, was prepared by Professor E. W. Bemis, late chief special agent of the bureau. There is an introductory chapter on municipal government in general, with special reference to franchises; and this is followed by an historical sketch of the Chicago street railways, which brings to light many interesting facts. The first franchise ordinance and some of the other early grants reserved to the city the right of purchase at the expiration of a specified term. The companies are nominally required to pay a license fee of fifty dollars for each car; but, by an ingenious arrangement, the number of cars is taken to be the average daily number of trips divided by thirteen, or about one-sixth of the real number of cars. Thus the car license in Chicago amounts to less than the dog license, and is much too small to counterbalance the under-assessment of the railway companies for taxation, as compared with other property. The profits of the principal surface railways are estimated at from 15½ to 17 per cent of the capital invested, which is shown to mean that the stockholders must receive nearly 30 per cent. Careful estimates of the cost and of the present value of the roads and their equipment are made in order to determine the degree of over-capitalization, which is shown to be excessive; and some particularly remarkable performances in stock-watering are described in detail, with quotations from a paper by Mr. Frank A. Vanderlip. Some account is given, also, of the financial operations of the Chicago elevated roads, some of which have been so heavily capitalized that they have not been able to meet their obligations. The portion of this report dealing with street and elevated railroads was of such interest to the people of Chicago that it was published by a committee of citizens in advance

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of its official publication and was used at the last session of the legislature to oppose the Humphrey bills for the extension of franchises.

The Missouri commissioner of labor devotes the first eighty-two pages of his report for 1896 to the street railway situation in St. Louis, Kansas City and St. Joseph. The main points of this paper are given also in a condensed reprint, bristling with black-faced type and graphic statistics. The railway companies are charged with fraudulent evasion of property and license taxes, as well as with ordinary under-assessment and over-capitalization; and there is a discussion of the effects of free transfers and reduced fares. The reader who looks for the results of the law of 1895, requiring franchises to be sold to the highest bidder, will find only that a day or two before the law went into effect an ordinance was rushed through the Kansas City council extending nearly all the existing franchises and granting new ones.

These monographs make possible some instructive comparisons. The average capitalization per mile of single track is $242,280 in Philadelphia, $130,000 to $147,500 in Cleveland, $126,255 for the principal surface railways of Chicago and $175,500 in St. Louis, although the cost of duplicating the Chicago roads, including the expensive cable construction, tunnels and equipment, is ascertained to be about $60,000 per mile of track. The value of the street railway franchises is estimated to be $75,100,000 in Philadelphia, $60,000,000 in Chicago, $29,572,000 in St. Louis, $18,000,000 in Cleveland and $6,014,580 in Kansas City.

The report of the New York special investigating committee is the least satisfactory of all these publications on street railways. There are nearly two thousand pages of evidence, doubtless containing much valuable information; but to look for it is like searching for a needle in a haystack, for there is neither an index nor a table of contents. The committee itself has not thoroughly digested the evidence, and there is little hope that any student will take the pains to do so. The committee's report is too brief to be of very much value, but it contains some interesting suggestions respecting reduced fares and the prevention of over-capitalization. Municipal ownership seems not to have been considered very seriously, though the committee intimates that this might have been done, if it had been dealing with the subject anew, before any roads had been built.

WASHINGTON, D. C. MAX WEST.

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L'Imposta progressiva, indagini di storia e d'economia della finanza. Di E. MASÈ-DARI. Turin, 1897.

This is one of the most erudite works on taxation that has ever appeared in any language. It contains no less than 727 closely printed, large octavo pages, which fairly bristle with footnotes and references — an amount of solid reading matter which may well appall the most intrepid reader. Every authority or writer upon progressive taxation (and by an actual count of the names in the author's index it appears that there are just 726 of them) seems to have been consulted, and each work is reviewed in its proper place. These citations are generally accurate, although certain views are attributed (p. 304, note 1) to Professor Ely which cannot be found at the place referred to, and which that gentleman would probably not desire to father.

In the first part of the book the author gives us the history of progressive taxation from the dawn of civilization in India, Carthage and Greece to the present day. He has searched the laws, past and present, of every civilized country for instances of taxes at all progressive in their character. He finds examples, real or apparent, of this form of taxation in India, China, Carthage, Tyre and Palestine, in Greece and Rome, and in every country in modern Europe, in the United States and in the English colonies. The presentation of this historical and descriptive material comprises the fifteen parts of Chapter I (pp. 1–190).

In Chapter II (pp. 191–283) the author plunges into an exhaustive treatment of the theory of progressive taxation in history. Beginning again with Greece and Rome, he conducts the reader through the various theories by which from time to time and in different places progressive taxation has been supported. Down to the present century this review seems to be complete. But the numerous theories advanced by different authors, political parties, conventions, statesmen and parliamentary commissions during the present century are only briefly summarized (in ten pages) in this chapter, because the subsequent exposition of the author's own views allows him ample opportunity to cover the same ground more fully.

In Chapter III, on the relation of progressive taxation to "financial sociology," we reach the beginning of the presentation of the author's own views. This continues through the following three chapters, on the "justifications" of progression, the "technical

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forms" of progression, and the economic effects of progressive taxation. An appendix of 130 pages on the economic conditions of Italy and the progressive tax completes the work.

The form of the book is most unfortunate. As will be seen even from the brief analysis just given, there is much about it that irresistibly suggests Heine's caricature of a doctor's dissertation in the *Harz Reise*. The unfortunate form of the book is much to be deplored, for such an exhaustive work would be invaluable if it could be used as a book of reference. But this cannot be done, for the arrangement does not admit of it, and there is no real index. A running analysis of the thought is given in the table of contents; but, as the paragraphs are not numbered, this affords practically no clew to the whereabouts of the subjects mentioned. Yet the reader who will not allow these superficial difficulties to hinder a nearer approach will be well rewarded. The thought is vigorous, and the treatment clear and interesting, often lively and fascinating. The subject is approached in a purely scientific spirit.

The main thought of the book is this: The form which the tax system of any country will take depends entirely upon the political and economic organization of society, or, to quote his own words, "is an inevitable and homogeneous product of that organization" (p. 601). The form of the tax system thus becomes mainly a question of expediency, and will be determined, as in the opinion of the author every political act is determined, by the interests of those classes exercising the most influence economically, and hence politically, upon the government. This relation between the finances and the political and economic development is considered historically and theoretically under the heading "Financial Sociology." The thought is developed in many different directions. For example, he shows (p. 286) how the financial system is influenced by the prevailing conception of the nature of the state and of its functions, how by the form of the political organization (p. 292), how by economic conditions (p. 294). He discusses the way in which the distribution of the burden of taxation is affected by the political power enjoyed by the different classes (p. 296). Something of the spirit of the discussion is embodied in the following sentence:

> In fact, history shows us that the progressive tax is often applied to one or another form of wealth, ordinarily following the victorious banner of the party momentarily master of public affairs, and giving to that tax the precise character of a weapon of faction [p. 321].

The various political and economic forces which have brought about

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the exemption of the minimum of subsistence are also discussed under this heading.

The "justifications" of progression that are discussed are the different phases, first, of the "benefit" theory, then of the "equal sacrifice or faculty" theory, and, finally, of the "socio-political" theory. Without following him into the details of his argument, we may note in passing the following important points. He considers that it is impracticable to measure taxation by faculty at the present stage of our economic life, on account of the differences in the character of different incomes (p. 467). His general conclusion is that

> the actual theories in favor of progressive taxation have neither an effective nor an absolute scientific value; such a value does not attach to a progressive rate more than to a proportional one. . . . The one or the other is born of the reaction from the preceding system [p. 603].

The chapter on the technical forms of progression is chiefly interesting on account of the attempt to show how in any particular case the limits of progression may be defined. The chapter on the economic effects of the progressive tax is another of those wearisome, "viciously abstract" discussions of the incidence of taxation, which will always be fruitless until we have from some source accurate statistical pictures of each economic factor affected by a given tax, taken one before and one after the introduction of the tax.

After the last chapter the appendix is very refreshing, for it does not contain any of those objectional generalizations just referred to, but is a most healthful and apparently impartial review of the present economic conditions of Italy, with an attempt to describe accurately the effects of the introduction of a progressive tax into the Italian system.

One very interesting feature of the book is the consistency with which the subject is treated as a problem in politics, although the title suggests another point of view. Economic forces are usually treated as exercising an influence mainly through their effect upon political movements, and the author almost invariably begins his arguments by reference to the different theories of the state.

In spite of its obvious defects in form, this book is not one to be slighted. It is marked by broad erudition and a profound insight into fundamental principles, and the views advanced are presented so forcibly as to command careful consideration.

CARL C. PLEHN.

UNIVERSITY OF CALIFORNIA.

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Report of the Commission Appointed to Inquire into the Expediency of Revising and Amending the Laws of the Commonwealth [of Massachusetts] Relating to Taxation. Boston, 1897. — viii, 322 pp.

Massachusetts has certainly not failed to struggle earnestly with the tax problem. The report of the commission of 1875 was a landmark in the history of state tax commissions; the reports of the Boston commissions of 1889 and 1891 contained much valuable material; and the report of the commission of 1894 was, at all events, well meant. The present report is, however, a distinct improvement on its predecessors. Like the Maryland report of 1888, it shows the advantages of having a trained economist on the commission; for in this case Professor Taussig is doubtless largely responsible, as was Professor Ely in the former case, for the scholarly presentation of facts and the well-considered series of recommendations.

The report is divided into three parts. The first gives an account of the existing tax laws, the second describes the actual workings of the system, and the third contains the proposals and recommendations.

Part I calls for no special comment. Part II, which is more important, discusses, among other questions, that of the taxation of mortgages. The commission declare themselves satisfied with the situation in Massachusetts, and conclude that it is inexpedient to make any changes. The taxation of mortgages would, in their opinion, bring about an increase in the interest charge, at least to the extent of the tax. In the discussion of the tax on personal property the commission make some interesting points. They show, in the first place, that the forms of personal property which are most regularly and unfailingly taxed are live stock in the farming towns and ships and vessels. As regards the farming towns, the commission conclude that the present method of taxing both real estate and tangible personalty probably works better than a method of taxing realty alone. Corresponding to the rural tax on live stock is the city tax on stock in trade. This also the commission uphold, as giving some clew to the relative tax-paying abilities of the different concerns; and they call attention to the fact that little objection has been made to this tax. Furthermore, while the commission look forward to the time when it may be possible to exempt machinery from taxation, they think that this time has not yet arrived.

Serious difficulty arises, of course, in the case of intangible personalty. It is pointed out once again how unsuccessful the tax administration is in this particular. The commission are, however,

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satisfied with the corporation tax law, which applies in Massachusetts only to domestic corporations. Their only criticism is with reference to the particular method of distributing a part of the taxes among the local bodies. The savings-bank tax, also, they think needs no special change. These taxes together, however, reach only a small part of the intangible personalty. As the commission put it,

> the taxation of intangible personalty is in a high degree uncertain, irregular and unsatisfactory. It rests mainly on guesswork. It is blind, and, therefore, unequal. Here is its greatest evil, although not its only evil. It is haphazard in its practical working and hence demoralizing alike to taxpayers and to tax officials.

The concluding part of the report contains the recommendations. In the first place, the commission propose that all securities and evidences of debt representing ownership or interest in property outside of the state be exempted from taxation. This proposal rests on the assumption that otherwise there would be double taxation — once by the state where the property is situated or where the corporation does its business and again by the state where the owner resides. Question then arises as to what should take the place of this tax. The income tax is brushed aside as inexpedient. The Pennsylvania and Connecticut methods are discussed, but are not recommended. Instead, two new taxes are expected not only to supply the revenue, but also to equalize the burdens. Of these the first is an inheritance tax at the rate of five per cent, applying to realty as well as to personalty, with certain exemptions and abatements. The revenue from this tax is to be distributed among the several cities and towns, half in proportion to population and half in proportion to assessed valuation. Next, the commission recommend a habitation tax, or a tax on occupiers, in proportion to rental values beyond an exemption of $400. As to the expected revenue from this source, the commission go somewhat into detail. Finally, there are some minor proposals, looking toward the assumption by the state of certain county expenses, which in future are to be defrayed by the corporation tax hitherto distributed among the towns.

These are the chief points of the report. Every one must be struck by the moderation, the vigor of expression and the general common sense displayed in its details. It is an earnest effort to grapple with the difficulties of the situation and to outline a plan which, whether accepted or not, is undoubtedly in the general line of the movements of the future. There are only two or three points

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to which exception may be taken. The first is the praise lavished by the commission upon the present method of taxing corporations. It is assumed that the owner of intangible securities of domestic corporations is hit by this franchise tax. As a matter of fact, the law seeks to reach only share capital, and through it the shareholders, while the bondholders are supposed to be hit by the general tax on intangible personalty. As the commission recommends the exemption of such intangible personalty, the query thus arises: How is the bondholder of domestic corporations to be reached? Here is a manifest gap. Moreover, it is remarkable that the commission does not at all discuss the advisability of taking bonded indebtedness into consideration as a means of reaching substantial justice among the corporations themselves. The newer tax laws, like those of Indiana, constitute in this respect a distinct advance on the Massachusetts system, which is still upheld by the commission.

A second criticism of the report concerns the inheritance tax. The trouble with so many of our American projects for reform is that they are frequently considered by themselves, and not in relation to any general scheme. For instance, the very obvious objection to the New York progressive inheritance tax bill, which was vetoed in 1897, was that, even if the plan had been advisable as a separate measure, it assumed a very different aspect when superadded to the general property tax. The objection is, indeed, by no means so strong in the case of Massachusetts, because there the commission distinctly recommend the inheritance tax as a partial substitute for the tax on intangible personalty. But the tax on tangible personalty and on realty still remains, both as a state and as a local tax, while the new inheritance tax is an additional state tax. Might not better results have been reached, if a distinction had been made between the state and the local tax, and if the inheritance tax had been recommended as a partial substitute, not only for the tax on intangible personalty in general, but also for the state tax on all property. Those who already pay a tax on all realty and personalty will assuredly object to this new burden.

Finally, it may be pointed out that the proposed habitation tax, even together with the inheritance tax, is but an incomplete substitute for the tax on intangible personalty. It is true that, as the commission show, they desire only to make a beginning. But the difficulty with all such partial schemes is that it is next to impossible to persuade the average farmer of the wisdom of exempting intangible personalty, unless he sees that holders of such personalty are

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reached in other ways. The habitation tax and the inheritance tax hit not only the holders of intangible personalty, but the holders of all other property as well. Of course, if the farmer thoroughly understood his own interests, he would see that he really suffers more now than he would under the proposed system. But it is the inherent weakness of all halfway measures to satisfy neither party. The commissioners no doubt thought that it would not be wise to go any further; and it is undeniable that even their proposals do constitute a decided innovation. Whatever be the fortune of the report in practical politics, it is one of the clearest and strongest papers yet presented by any American tax commission.

EDWIN R. A. SELIGMAN.

Die Währungsfrage in den Vereinigten Staaten von Nordamerika. Eine wirthschaftsgeschichtliche Studie. Von DR. MAX PRAGER. Stuttgart, Cotta'sche Buchhandlung, 1897. — pp. 476.

Dr. Prager's book on the silver situation in the United States is an excellent monograph of the German type. It was not to be expected that one doing his work at long range, as Dr. Prager in the main had to do, should overhaul the sources with minute care or contribute information fresh to those who had already followed the literature of the subject. But a survey of our coinage history and of the general currency situation during the past generation was within reach and has been successfully achieved. On the period up to 1873 Dr. Prager writes briefly, and does not affect to do more than sketch the historical development, using such sources of information as the books of Professor Laughlin and Mr. White and the report of the international monetary conference of 1878. On the later period he has not only availed himself of the more familiar books and documents, but has delved here and there in the *Congressional Record*, and has waded through some of the interminable controversial literature of our recent campaigns. The result is that the German who wishes to inform himself on the currency situation in this country will find in his pages well-nigh all that is needful.

It must be said, however, that Dr. Prager, like other German writers, has a robust faith that his readers will desire to go through his volume from beginning to end, and so will need no such aids as the bookmaker prepares on the supposition that some persons, not disposed to read scrupulously every page, may yet wish to satisfy themselves on one point or another. Hence there is no index, and the table of contents occupies a scant half-page. For a stretch of

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130 pages the only hint as to what may be found is the bald statement that here the period 1862–1878 is treated; while, as to other chapters of 70 or 80 pages each, it is stated with similar brevity that one treats of the working of the so-called Sherman Act, another of the course of events since its repeal. The non-German reader must often wonder where the readers are found for the endless tomes which are turned out from the workshops of the German scholars; and his wonder is increased when he sees how small pains are taken to make these tools easily usable.

This absence of a guide is the more regrettable because in some respects the scope of the book is wider than its title would indicate. Thus, it includes an account of the legal-tender issues and of their tortuous history — necessarily brief, yet rightly deemed indispensable for an explanation of the silver movement; some notes on the remarkable deliverances of Henry C. Carey on the blessings of plentiful paper money; and some discussion of the international conferences and their proceedings, and of the Populist movement, with its earlier phases of the Agricultural Wheel and the Farmers' Alliance. The method is, perhaps, too much that of the annalist, each topic being taken up in its chronological place. There are occasional quotations at length, from reports of various secretaries of the treasury and from other documents, which fill up the pages without rapidly advancing the narrative; so, too, elaborate tables — on the fluctuations in the quantity of the currency, on the flow of specie and on the state of the revenue — are inserted to little purpose here and there in the text. Sometimes the figures are quoted with no very critical consideration of their significance, as in the case of those calculations regarding the legal tenders in which it is endeavored to show that, what with bond issues and interest charges thereon, the paper money is in reality a fiscal burden rather than a source of profit — calculations which may serve their turn for campaign purposes, but which will hardly stand the test of severe analysis.

Dr. Prager, as might be expected from the well-known opinions of the editors of the Münich series, who were presumably his teachers, writes as an advocate of the maintenance of the gold standard. His notes are in good part devoted to castigations of the German supporters of bimetallism, and more particularly of Messrs. Arendt and v. Kardorff. These writers, like most of controversial bent, have been guilty of not a little loose talk on the silver situation in this country; while, with many others of greater weight, they have often been unfortunate in their predictions as to the wonderful changes which this

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generation has seen in the history of the precious metals. In a book addressed to the German public, it may be in place to point out their errors and misapprehensions; but such criticism adds little to the permanent value of the volume.

In conclusion, the reviewer cannot refrain from expressing his grief that the typesetter has caused it to appear (p. 231) that the author of "Coin's Financial School" is Harvard! It should be added, however, that elsewhere Mr. Harvey is given proper credit for his remarkable educational efforts.

F. W. TAUSSIG.

HARVARD UNIVERSITY.

Money: A Study of the Fundamental Propositions of Economic Theory of the Classical School in Connection with the History of the Money Question. (In Russian.) By ALEXANDER MIKLASHEVSKY. Scientific Publication Series of the Moscow University, 1895. — iii, 729 pp.

In this book there is much irrelevant material. Of the seven hundred odd pages — including Chapter I, on "Political Economy and Natural Laws"; Chapter IV, "The Labor Theory of Value, its Meaning and Significance"; Chapter X, "Producing Classes and Luxurious Life," and many other passages — fully two hundred might well have been omitted from a book on money.

In the parts that are pertinent, however, there is a very thorough and clear discussion of the most important questions involved in a study of the subject. Chapter II gives a history of coin and of the precious metals from the days of antiquity to the beginning of the sixteenth century. In Chapter III the author speaks of the future of gold and silver; and, though he does not state his opinion directly, he appears to agree with the geologist Suess that gold is bound to become more and more scarce in the future, and must therefore lose "that economic position which it has occupied up to the present" (p. 149). Chapter IV, on the labor theory of value, is interesting as showing more than any other part of the book the author's own views on economics. Though ranking himself among the adepts of the "historico-ethical school," of which he considers Professor Schmoller as one of the founders, he follows in pure economics the doctrines of Karl Marx. The Austrian school, he holds, has failed to solve the question of value by resorting to "marginal utility": "they [*i.e.* Böhm-Bawerk and his school] tell us that marginal utility is marginal utility; in other words, they

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give us a metaphysical entity which might possibly have been satisfactory in the Middle Ages, but is not at present" (p. 203). The labor theory he regards as "the only correct theory" in political economy, because it takes account of "the law of conservation of energy" (p. 240); though an abstraction ("and abstractions are unavoidable in economic investigations"), it "introduces into political economy the high moral principle which expresses itself in the simple phrase: the earth is the mother of wealth, labor is its father" (p. 256).

Chapter V, on the history of the theory of money, traces it from Aristotle and Plato down to our times. A good deal of discussion is devoted to the quantity theory of money, with which the author does not agree. He thinks money is subject to the same laws of value as any other commodity, and is therefore liable, under the influence of supply and demand, to deviate from its normal value as determined by "the quantity of socially necessary labor." The author differs in this particular from Marx, who did not consider money as an ordinary commodity and made no concessions whatever to the quantity theory.[1]

Chapter VI gives a history of prices in western Europe for the present century, traces the influences that brought about the fluctuations in prices, presents very accurately and impartially the arguments advanced by the bimetallist and the monometallist schools, describes the work of the various international monetary conferences, and embodies an effective refutation of the fallacies that underlie the advocacy of the free coinage of silver at a fixed ratio. A considerable portion of this chapter is devoted to the question of commercial crises. The next two chapters treat of credit and paper money, and are perhaps the best part of the book in point of clearness and originality. Professor Miklashevsky uses to good advantage a wealth of material in tracing the intricate workings of the various forms of credit and paper money, in the financial as well as in the wider economic life of society. The eighth chapter contains an account of the history of currency in Russia since the end of the last century. Together with the ninth chapter it constitutes the most interesting part for a foreign reader, since the rest of the book contains but little that has not been covered by writers in other languages.

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[1] See Zur Kritik der Politischen Oekonomie, ch. ii.

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Histoire financière de l'Assemblée Constituante. Par CHARLES GOMEL. Vol. I, 1789; Vol. II, 1790–91. Paris, Guillauman et Cie, 1896 and 1897. — xxxv, 565, 586 pp.

No phase of French history has a better claim to the student's attention than the financial system of the *Ancien Régime*. All the more thoughtful historians of the Revolution agree that the immediate cause of the momentous reorganization of France was a purely financial one. The political movement which began in 1787 was the outcome of a financial crisis; and who knows, as M. Gomel observes, but the violent overthrow of the old form of government might not have been obviated, had Louis XV been followed by a monarch possessing even average strength of character and executive skill? The gravest problems, moreover, which the Constitutional Assembly was called upon to solve were questions of revenue and taxation. Three of its most famous initial reforms — the abolition of the tithes and of the pecuniary privileges of the clergy and the nobility, the confiscation of the church lands and the issue of the *assignats* — were essentially financial measures. Hence every student of the period will learn with satisfaction that M. Gomel has now finished his scholarly work, which will, by reason of its completeness and its orderly, lucid arrangement, easily displace the earlier treatises of its class. He very properly devotes two volumes of the four he has written to the "Financial Causes of the French Revolution." These volumes have justly been "crowned" by the French Academy and by the Academy of Moral and Political Sciences. The style is delightfully clear and the language free from technicalities. The writer never hesitates to explain obscure terms, thereby saving the reader infinite embarrassment. He is, however, no lover of paradox: he makes no attempt materially to modify the views accepted by scholars.

Mallet du Pan, the acute editor of the *Mercure de France*, brought the following indictment against the Constitutional Assembly, when it finally completed its financial legislation in 1791:

> The Constitutional Assembly cannot fail to recognize, without denying positive and accepted facts, that, as a result of its doctrines and actions, . . . it leaves our finances in chaos, the public debt considerably augmented, the annual deficit increased by half, according to the most favorable calculators, the taxes in arrears, their payment suspended, having struck at their very roots by the recklessness of an absolutely new system, of which the immediate effects have been to make the people regard themselves as freed from taxation. It cannot disguise from itself that our influence and repu-

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tation in Europe are eclipsed; that our commerce is less flourishing; our industry less productive; our population less numerous; that labor has decreased as well as national wealth; that it has caused the disappearance of the specie and dissipated an enormous public capital. . . . I ask that a single class of Frenchmen, except the stockbrokers, be pointed out to me whose fortunes have not diminished, and whose resources and prosperity have not been painfully affected!

M. Gomel accepts all this, and his investigations serve to prove in detail the stern truth of Mallet du Pan's editorial. Yet our author sees clearly that this very Assembly, with all its mistakes and perversity, was, after all, the prime agency in the permanent regeneration of France. Its task, however, was far beyond its powers. It worked at an enormous disadvantage. The wonder is that all was not lost. The great value of M. Gomel's history lies in the full and impartial treatment of the policy of the Assembly, which, if viewed simply from the standpoint of scientific financiering, appears so disastrously inefficient. He discusses the condition in which the newly elected deputies found themselves. He points out that, from the very first, they were not free to decide the difficult questions which arose as might seem most expedient to them after they had enjoyed the advantage of mutual discussion; for they were bound by the explicit instructions contained in the *cahiers*. They came together *en mandataires*, pledged to carry out the fervid, if ill-advised, policy of their constituents. Nor were they ever free to settle any point upon the mere merits of the question. The adjustment of taxation, the provision for a deficit, the regulation of pensions, the reorganization of a vicious system of administration — these are no light matters even in a period of political peace and harmony. But in 1789 no single change could be made in France without adding new and dangerous allies to the ranks of the disgruntled. Then there was Necker, certainly just then one of the shabbiest figures in all history, and their "small-beer" king, as Gouverneur Morris called him. As Mirabeau once said, these admirably illustrated Machiavelli's axiom: *Tout le mal de ce monde vient de ce qu'on n'est pas assez bon ou assez méchant.*

All these considerations, together with the political and social aspects of the work of the Constitutional Assembly, are adequately and admirably treated by M. Gomel. He gives us in this way not only a financial history of the reign of Louis XVI, but the most symmetrical, adequate and readable account which has yet been produced of the whole great revolutionary movement, from Turgot to the establishment of the constitution of 1791.

JAMES HARVEY ROBINSON.

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Nullification and Secession in the United States. By EDWARD PAYSON POWELL. New York, G. P. Putnam's Sons, 1897.—xi, 461 pp.

In respect to conception, this work leaves nothing to be desired. The author aims at a dispassionate philosophical survey of those episodes in our history which by contrast throw into clearest relief the development of our national unity. In respect to execution of this purpose, however, the work is no more successful than any one of a host of ephemeral publications on similar lines that have appeared and disappeared since the Civil War. There is no firm command of leading principles and tendencies, no masterly marshaling of facts, no historical insight. In each of the six episodes treated the author is the slave of his particular subject and is quite overwhelmed by the mass of its details, with the result that the work as a whole is confused and incoherent.

Distinctly the best part of the volume is that dealing with the Federalist-Burr project of a Northern Confederacy, with the Burr conspiracy in the Southwest and with the Federalists in the War of 1812. The measure of success attained by the author here seems due largely to the fidelity with which he follows the great investigators of the period, especially the work in which Henry Adams's *apologia pro meo avo* is so cleverly disguised as a "history of the United States." In the later episodes of nullification and secession, in which the Southerners were chiefly concerned, the author seems to suffer from the need of accepting as a guide von Holst, whose lurid work is at the same time in many respects distasteful. With the nationalism of the German writer Mr. Powell is in hearty sympathy, but he cannot accept the dogma of the inherent and total depravity of the Southern slaveholders. This deviation from the path of his leader is corrected by his vehemence in denouncing Andrew Jackson. The hero of New Orleans figures as a sort of kleptomaniac: on page 282 he "stole Texas"; on page 287 he "stole the treasury"; on both he "defied Congress"; and on the intervening pages the catalogue of his iniquities is portentous. The reader finds grateful relief only in the fact that the monster "failed to even coerce the wives of his cabinet officers" in the affair of Mrs. Eaton.

Mr. Powell's "Concluding Chapter" is an odd medley of reflections on past and present tendencies of our politics. His summary of the questions involved in the attempts at nullification and secession sets this interesting puzzle for the reader: In which of the

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attempts was the question that of "the right of genius to supremacy"? There is circumstantial evidence that the author intended by this phrase some allusion to the Burr conspiracy; but the connection is not so well established as to preclude debate. Whatever the solution of the problem, we have the author's assurance that in all the attempts the outcome was "favorable to the republic" (p. 412). Yet this leaves it in doubt as to whether "the right of genius to supremacy" was or was not established. The book closes with a survey of some of the social questions of the day, in which the author manifests a fairly sound but somewhat confused conservatism. There will appear to many readers a sort of anti-climax in his final query: "Will another Jefferson arise for 1900?"

WM. A. DUNNING.

Nominations for Elective Office in the United States. By FREDERICK W. DALLINGER, A.M. (Harvard Historical Studies, Vol. IV.) New York, Longmans, Green & Co., 1897. — xiv, 290 pp.

Senator Dallinger has in the book before us made a valuable contribution to the literature of American political science. Most writers on the subject which he treats have devoted their attention almost exclusively to the institutions of the formal governmental system, forgetting that our actual political system gets its tone as much from its party organization as from the constitution and laws which are framed for its outward regulation. Senator Dallinger's book, which is a history of the growth of party methods for nominating candidates, as well as a description of present party arrangements, is, therefore, a welcome supplement to the usual treatises on American government. It is particularly welcome at a time when the public are awaking to a realization of the fact that their supposedly democratic system of government is being rapidly changed, as a result of the changes that have been made during recent years in methods of party management.

Mr. Dallinger's work is divided into four parts: the first deals with the history of the subject; the second describes present methods; the third attempts to point out the defects of these methods; while the fourth considers, one after the other, the various remedies which have been proposed. All that is said on these points is marked by absolute impartiality and great moderation. The writer's attitude is that of the student of political phenomena, rather than that of the reformer of political abuses. While such an attitude is of great advantage to him in his treatment of the first two parts of his subject,

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it is somewhat of a handicap when he begins his treatment of the evils of the present system of nominations, and appears to be a distinct hindrance to him when he comes to discuss the remedies. His readers will be apt to lay the book down with the feeling that, while they know much more about the subject than they did when they began reading it, they have no very clear idea as to what should be done to improve the nominating system.

While, thus, Senator Dallinger does not propose any remedy, as in his opinion calculated to secure the nominations of persons who are really the deliberate choice of a majority of the party, he does think something can be done by the adoption of proper party rules, provided honest and energetic men "be chosen to positions upon the party committees whose duty it is to carry out the rules." This is the method of reform he seems to prefer, although he admits that such a method is ineffective where the voters are ignorant or where the machine has already got its grip on the party organization. Here he thinks resort must be had to "the strong arm of the law"; and he instances the Massachusetts Caucus Act as a law which has done much in improving the conditions of parties in that state. Finally, he thinks much good has been accomplished outside of the party through citizens' associations. His conclusions are:

> Looking at the matter calmly, in the light of history, there is no occasion for despair, no room for political pessimism. As in every other walk of life, there is work to be done and plenty of it. Three reforms are urgently needed: a diminution in the number of elective offices; the absolute separation of state and national politics from local affairs; and, above all, the eradication of the spoils system in the public service and the consequent destruction of the class of professional politicians. These reforms, combined with the establishment of wise party rules and honestly enforced statute laws, will do much to make our present system of nomination work satisfactorily where now it seems to fail. In order, however, to attain any lasting success, there must be, in addition, a thorough arousing of public interest by education and intelligent organization. Thus only will bad nominations and the tacit consent of the voters to the selection of unworthy candidates be finally and permanently removed.

It is questionable whether such a conclusion will approve itself to the minds of many interested in nomination reform. There are many who think that the day when national and state politics shall be absolutely separated from local affairs is not likely to dawn. There are many more who believe that the interest of the voter can be aroused only by giving him an opportunity to participate in the councils of

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his party. But, whatever they may think of the methods of reform proposed by Senator Dallinger, they cannot fail to be grateful for the historical and descriptive work which he has done; for it must be a great aid to them in their attempts at reform.

The appendixes contain a bibliography, forms of ballots and other party documents, and the text of the Massachusetts Caucus Acts.

F. J. GOODNOW.

Constitutional Studies. By JAMES SCHOULER, LL.D. New York, Dodd, Mead & Co., 1897. — xii, 332 pp.

This Country of Ours. By BENJAMIN HARRISON, Ex-President of the United States. New York, Charles Scribner's Sons, 1897. — xxiv, 360 pp.

These two little books treat, from somewhat different points of view, the same general subject — namely, the constitutional law and practice of the United States. Their analysis of the constitutional law of the nation is substantially the same, though it must be said that Mr. Schouler is a little more national, both in principle and conclusion, than General Harrison. The first-named author is, therefore, as it seems to me, a little sounder, a little truer to a correct understanding of our history and a little more harmonious with present conditions and relations. In both cases, however, the analysis is elementary, and is apparently intended for the popular understanding. This needs no comment as to General Harrison's book, which professes to be only an enlarged revision of a series of popular papers printed first in the *Ladies' Home Journal.* On the other hand, Mr. Schouler's book is a course of lectures delivered before university students of jurisprudence. To me it seems rather too elementary for such a purpose, and to be better fitted for college students and general readers. The main purpose of Mr. Schouler's book is analytical, while the main purpose of General Harrison's book is practical. The former work is more valuable in that part which relates to the organic law of the commonwealths — a topic upon which General Harrison scarcely touches. On the other hand, General Harrison's book is extremely instructive in the description of the working of the general government. This is its chief merit: upon this topic it is not simply a popular study, but a work which can be used with great profit by the most scientific students of our public law.

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BOOK NOTES.

THE dedicatory note of Justin Winsor's *The Westward Movement* (Houghton, Mifflin & Co.) is dated August 8, 1897. When, two months later, the volume was published, the author had passed away. The work thus becomes impressed with an especial interest as the crown of Dr. Winsor's fruitful career. It is worthy of the melancholy distinction. From the cartographic point of view, which Dr. Winsor made in so peculiar a sense his own, we find traced in this last volume the development of trans-Appalachian questions from 1763 till 1798, when upon the definitive occupation of Natchez by the army of the United States, the boundaries fixed by the treaty of 1783 were for the first time actually secured. The subject-matter of the volume is much the same as that treated in Mr. Roosevelt's *Winning of the West*. The very slightest acquaintance with the characteristics of the two writers will, however, remove any momentary doubt as to the utility of the later work.

The illustrated edition of Fiske's *Critical Period of American History* (Houghton, Mifflin & Co., 1898) has a two-fold significance: as, in fact, an *édition de luxe* of a serious work, it embodies a most flattering tribute to the literary and historical genius of the author; while in the choice of illustrations there is displayed the highest type of sound judgment as to what will add scientific value to the volume. No imaginative pieces are admitted; every picture represents some phase of actual history. Portraits predominate, contemporary caricatures and other prints in facsimile are well represented, and useful maps are added. As a whole, the real spirit of the time, which Mr. Fiske so cleverly expresses in the text, is given by the illustrations a distinctness of definition that can hardly be paralleled in any work of like character.

Professor Charles Gross has produced another scholarly piece of work in his *Bibliography of British Municipal History* (Harvard Historical Studies, Vol. V; Longmans, Green & Co., 1897). The first part of the volume is devoted to general authorities on the subject, and the second part, which occupies about two-thirds of the space, to the histories of particular towns. The first part includes extended references to authorities on the general constitutional history of Great Britain. Brief but valuable criticisms are given of the leading

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works referred to, and the reader is warned against those which have no value. In an introductory review of British municipal literature as a whole, Professor Gross characterizes the average town history in England as "a farrago of heterogeneous odds and ends, thrown together at haphazard, no scholarly work being displayed either in the selection of the material or in its elaboration." It is to be hoped that writers in the same field in this country will read and profit by his criticism. His statements concerning the lack of care bestowed on the keeping, classification and publication of local records apply equally to many parts of this country. The volume as a whole attains the highest standard of excellence and must needs stimulate the study of municipal history.

The Growth of the French Nation, by Professor George B. Adams, of Yale University (The Macmillan Company), could hardly be excelled as a brief, but in all respects scholarly, *résumé* of the political history of France. Even the advanced student will, by running over its pages, feel that he gains a firmer grasp than ever before of the whole long drama. Professor Adams exhibits the same keen insight and tact in dealing with the modern period that he shows in treating the Middle Ages, to which he has devoted especial attention. Nothing could be better than his summary of the revolutionary movement. More may be learned of its true character in his few pages than in Sybel's confusing volume. The illustrations are as fresh and helpful as the text.

Mirabeau once declared that the nation's consciousness of the existing abuses had been a far more potent cause of the Revolution than the general progress of enlightenment. In *La France d'après les cahiers de 1789* (Colin et Cie, Paris, 1897), M. Edmonde Champion has endeavored in a series of classified extracts from the *cahiers* to show us just what were the people's grievances. The headings — "The Constitution," "Obstacles to National Unity," "The Provinces," "Royalty," "The Three Orders," "The Finances," "Justice," "The Feudal Dues," "Industry and Trade," "Religion and the Church," "Education" — indicate the scope of the book. M. Champion closes with a chapter on the spirit of 1789, in which is discussed the attitude of the orders to each other. An excellent index is added, which, with the exact references to the *Archives Parlementaires* and the scholarly notes, serves to make the book useful to the scholar as well as to the general reader, for whom it is evidently intended.

G. P. Putnam's Sons have issued the papers of the "Half Moon Series" in a tasteful volume under the title of *Historic New York*.

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It is embellished with a number of fine illustrations and plans. These papers are mainly topographical in character and, when taken collectively, will enable New Yorkers of the present generation to form a mental picture of the externals of the historic city. A continuation of the useful work which the editors and writers of this series are doing is promised for the present year.

Professor Mace, of the University of Syracuse, has produced, under the title of *Method in History* (Ginn & Co., 1897), a book which is distinctly pedagogical in character. In it he discusses the general nature of history and the interpretation and use of its materials, particularly for class-room purposes and for the teaching of elementary history. He insists that history is essentially institutional and should be so treated in advanced classes. He classifies institutions as political, religious, educational, industrial and social; and claims that the proper subject-matter of history is the development of communities in all these lines taken together, though for a given time one of the phases may be more important than any of the others. His method is illustrated by extended reference to American history. The book is suggestive and helpful.

Essays in Liberalism, by Six Oxford Men (Cassell & Co., London, 1897), contains a rapid and somewhat superficial restatement of the principles for which the Liberal Party has stood in British politics during the past sixty years. The topics of practical interest which are treated are wealth, labor, foreign relations and education. In an introductory essay the Liberal tradition is discussed, and the historic development of liberalism is outlined in the concluding chapter. The object of the book is to persuade the party to renewed vigor in the assertion of its principles against socialism, jingoism and clerical influence over education.

Professor A. H. Lloyd's *Citizenship and Salvation* (Little, Brown & Co., 1897) contains nothing that touches either citizenship or salvation. Probably it was intended to be a species of philosophy of history in the manner of Hegel. The author's "tool for use in the interpretation of history" is "the principle of the identity, or at least of the symmetry, of opposites." Such a tool naturally turns out, as its most useful product, the following: Money "is a material counterpart of the unity of the self or of a common or universal self in society." "In money lending theocracy was brought down to earth and shown to be expressive of an accomplished adjustment to secular life." "Church and bank" were "institutions in which Heaven, or the abstracted future, and money, or the abstracted past,

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were treasured, or even hoarded." The philosophy of to-day has no greater task than the evolution of a theory that will explain why this sort of philosophizing should be printed.

Mr. David MacGregor Means's book on *Industrial Freedom* (Appleton, 1897) is evidently the work of a well-meaning and thoughtful man. It is a plea against socialism. This no doubt explains the fact that Mr. David A. Wells has contributed a few pages of preface. The book contains a great deal of sound reasoning; but Mr. Means is clearly not a trained economist, and many of his chapters will fail to bring conviction to those predisposed toward other views than his own. Such a chapter is that entitled "What Limits the Rate of Wages?" which, while containing some half truths, is very inadequate. Perhaps the best part of the book is the chapter entitled "Some Elementary Truths about Corporations"; but even here the author does not seem to be quite in accord with the more recent economic doctrines as to the relations between the corporation and the state.

Among the many works that have been called forth by Professor Loria's masterly writings on the close connection between economics and politics, perhaps the most suggestive is a little book entitled *Il Materialismo storico e lo stato*, by Professor Ferraris (Palermo, Sandron, 1897). The author takes strong ground against Loria's contention that all political and social activity can be explained in terms of economics. He willingly grants that the economic side has been overlooked in the past, but he maintains that historical materialism involves a great exaggeration, and that the economic factor is only one of many contributing elements. He takes up many of Loria's alleged facts and shows that they involve either gross exaggeration or erroneous interpretations. The book has had a wide sale, and has already gone through a second edition.

An attempt to trace the development of the Marxian materialistic view of history has been made by Mr. Georg Plechanow, in a monograph entitled *Beiträge zur Geschichte des Materialismus* (Stuttgart, Dietz). Mr. Plechanow devotes himself primarily to the representatives of French materialism, taking up in successive divisions the work of Holbach and of Helvetius. He finds that their importance has been generally under-rated. The greater part of the work, however, is devoted to a study of the early ideas of Marx and to the connection between Marx and his French predecessors. Mr. Plechanow is evidently a Russian, and, like so many of his countrymen, has the most unbounded admiration for Marx. His book, unfortunately,

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is neither very precise nor very concise; and his fondness for philosophical dialectics detracts from the value of the work for the economist.

The gratifying reception given to Dr. Karl Bücher's masterly series of studies on the development of economic life, which was originally reviewed in this *Quarterly* (IX, 329), has led him to issue a second edition in a thoroughly revised form, under the title of *Die Entstehung der Volkswirtschaft, Vorträge und Versuche* (H. Laupp'sche Buchhandlung, Tübingen, 1898). Three entirely new essays are added: one on primitive economic conditions, another on the disappearance of the domestic system, and a third on coöperation and labor union (*Arbeitsvereinigung und Arbeitsgemeinschaft*). These new essays are marked by the same qualities which were seen in the first edition and which immediately put Professor Bücher in the very front rank of historical economists. Here, as there, he displays an unusual power of wide generalization, based upon a minute study of facts, and a gift of arranging the ordinary but unnoticed facts of everyday life into a solid phalanx to support his own conclusions. With the exception of Professor Schmoller, there is perhaps no living writer who has done so much to clear up obscure points of industrial development. Although some of the essays in the volume are of pronounced interest only to Germans, it is much to be hoped that the book will appear in English dress.

After a lapse of ten years, M. Réné Lavollée has given to the scientific world a continuation of his great work on the working classes of Europe. The third volume, which has recently been published, is devoted to England and bears the general title of *Les Classes ouvrières en Europe: Études sur leur situation matérielle et morale* (Paris, Guillauman et Cie.). To the English reader who is familiar with the works of Booth, Drage, Webb, Baernreither, De Rousiers and others, much of the material contained in this work will be comparatively familiar. But M. Lavollée has made good use of the blue books and other documentary material; and his point of view, as well as the general sobriety of his treatment, is always worthy of note. An especially good chapter is that on the agricultural laborer. M. Lavollée is distinctly optimistic in his general outlook. While the work was written primarily for Frenchmen, it will be consulted with profit by English and American readers as well.

The third edition of Professor Cunningham's invaluable *English Industry and Commerce during the Early and Middle Ages* (Cambridge, The University Press, 1896) is noteworthy for a number of reasons.

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The mere appearance of a new edition of such a serious work indicates how great has been the recent development of interest in the study of economic history, while the many changes suggested by other workers in the field prove that some, at least, of this interest is not merely esoteric. Of these changes the most notable are (1) the insertion of an appendix to substantiate, in answer to Professor Ashley's criticisms, the author's opinion of the immigration of artisans in the twelfth century; (2) a restatement of the evidence bearing on the decay of the towns in the fifteenth century; and (3) the modification, "in consequence of Professor Ashley's recently published investigation," of the author's views regarding the changes in the craft-guilds of the sixteenth century. The spirit in which Professor Cunningham weighs the criticisms of his views and his acceptance, where the evidence permits, of the modifications suggested by his critics may explain in part the authoritative position of this work.

M. Pierre Leroy-Beaulieu, the son of the noted French economist, after an extended journey through Australasia and South Africa, has published his observations in a volume entitled *Les nouvelles sociétés Anglo-Saxones* (Colin, 1897). This is essentially an economic work, and calls attention to the important movements of social reform in Australasia and to the economic causes of the political troubles in South Africa. The latter point has already been explained for English readers by Mr. James Bryce; but to those interested in the most recent stage of Australian social development the work of M. Leroy-Beaulieu will be very welcome. The chapters must be taken, however, *cum grano salis*, for the author has the same horror of "socialism" as his father, and regards pretty much every Australian experiment as tainted with socialistic heresy.

Le Musée Social puts forth its bulletins with amazing regularity and rapidity. Series A has now reached Circular No. 19, and Series B, Circular No. 15. Among the circulars of the last quarter of 1897, we find careful accounts of the Hamburg dock strike of 1896–97, of the Workmen's-Protection Congress at Zurich, of the Typographers' Federation in France, of the meeting of the International Federation of the Ship, Dock and River Workers at London, of agricultural credit in Italy, and of the International Congress on Labor Legislation at Brussels, 1897. It will be seen at a glance how important the circulars are to all those interested in labor questions. The bibliographical bulletin which is found on the covers of each circular adds not a little to the value of the publications. The *Musée Social* is doing a unique work.

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Nos. 4 and 6 of Vol. II of the Economic Studies published by the American Economic Association comprise a very careful and exhaustive study of *Area and Population of the United States at the Eleventh Census*, by Professor Walter F. Willcox. The whole forms part of a projected introduction to the social statistics of the United States; and is admirable in its scientific precision, its impartiality and especially in its exposition of statistical methods. The most important conclusion is that the count of 1890 was "well within one per cent of the truth in its statement of the total population of the United States, and that there is little likelihood that now or in the future estimates of greater accuracy can be made." Dr. Willcox's method (comparison with twelve state censuses) is interesting, but not conclusive, and will hardly stand against the accumulating evidence of omissions of one kind or another which detailed study of the results is yielding: for example, see W. A. King, "The Proportion of Children," POLITICAL SCIENCE QUARTERLY, December, 1897.

Part II of the *Report on Population of the United States at the Eleventh Census* (Washington, 1897) has at length been issued. It contains the statistics of ages, illiteracy, citizenship, occupations, and soldiers and widows, besides a report on education. The statistics of occupations have been treated with care, but the classification has not avoided the common confusion between employments and industries: *e.g.*, blacksmiths, cotton-mill operatives. The difficulties of classification are, however, fully noticed in the introduction. The new inquiry, as to the "number of months unemployed," cannot be said to have yielded very satisfactory results.

A long-felt want has been partly filled by Mr. William D. P. Bliss, in *The Encyclopedia of Social Reform*, a huge volume of over 1400 pages, published by the Funk & Wagnalls Company (1897). It is, indeed, not a strikingly scientific product, for the bias of the editor is manifest. But both the choice and the treatment of topics are, on the whole, good. Mr. Bliss has attempted to be impartial, not only in his own work, but also in his selection of the many specialists who have aided him. That he has not always succeeded is perhaps not wholly his fault. Thus, the long article on "Free Trade," by Mr. Thomas G. Shearman, is offset only to a very slight degree by the unimportant article on "Protection." On the other hand, the article on "Socialism" finds a very fair counterpart in that on "Individualism." The chief value of the *Encyclopedia*, however, is that it constitutes a handy book of reference to a great many economic and social topics of present interest to Americans. It is

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popular in the best sense of the term, without being flippant. The work is filled with extracts from the best political and scientific literature on the subject, and it is evident that Mr. Bliss has, all in all, been wise in his choice of assistants. In almost all cases the articles are up to date, and the facts, so far as they go, are accurately and fairly given. Altogether, the work will be of undoubted value to the average busy man interested in social economics.

It is not often that a scientific work of huge proportions meets with such a popular success as Schoenberg's *Handbuch der Politischen Oekonomie*. The year 1897 has seen the appearance of the fourth edition (H. Laupp'sche Buchhandlung, Tübingen). It is significant of the times that the first volume of this new edition to appear should be Volume III, dealing with the "Science of Finance." Since the last edition, a number of the contributors have died, including Freiherr von Reitzenstein, who dealt with the subject of "Local Finance," and von Helferich, who dealt with some "General Problems in Taxation." Drs. Geffcken, von Rümelin, Mitthoff and Nasse have also passed away. But most of the former contributors to this particular division of the general subject still remain, and they have revised and amplified their respective contributions. Special attention may be called to the new section on *Gebührenartige Einnahmen*, to the substantially new section on the "General Theory of Taxation," which is now contributed by von Schall; to the new section on "Taxes on Expenditure," by von Zeller, and to the great extension of the treatment of "Import Duties," by the same author. In the other sections, too, especially those written by Professor Wagner, we find the statistics as well as the literature brought down to date. The volume will continue to be indispensable to all real students of the subject.

Professor Conrad, of Halle, yielding to repeated requests, has published two installments of his *Grundriss zum Studium der politischen Oekonomie* (Jena, Fischer, 1896 and 1897), dealing with economic theory in the first part, and with economic policy in the second. As in ordinary German manuals, the arrangement is somewhat different from that to which we are accustomed in English. The chief interest of Dr. Conrad's epitome lies, as was to have been expected, in the practical part, where a large amount of material is brought together and woven into the discussion of the principles. The whole treatment is marked by that sound common sense to which Dr. Conrad's readers have become accustomed. The author promises two more installments, dealing with public finance and statistics.

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Dr. Irving Fisher has published *A Brief Introduction to the Infinitesimal Calculus* (New York, The Macmillan Company, 1897), designed especially to aid in reading mathematical economics and statistics. The immediate occasion for its publication is the appearance in English of Cournot's *Principes mathématiques de la théorie des richesses* in Professor Ashley's series of Economic Classics. In this connection should be read Dr. Fisher's article in the January number of the *Quarterly Journal of Economics* on "Cournot and Mathematical Economics," with the notes on Cournot's mathematics. Non-mathematical economists ought to be very grateful to Dr. Fisher for his efforts to smooth the path for them: to many his little book will give just the additional touch necessary to make their half-forgotten knowledge available for use. More important still, it will probably stimulate younger students of economics to submit themselves to mathematical discipline before it is too late.

Messrs. Effingham, Welsh & Co. have published *A Contribution to the Bibliography of the Bank of England*, by Mr. T. A. Stephens (1897). The work gives not only the full title of the various publications, but also a short account of each, and in some cases substantial extracts from the contents. The statement by the author that the list does not pretend to be a complete bibliography disarms criticism; otherwise it would be a source of just complaint that so many of the important tracts of the seventeenth century have been omitted. The bibliography is very useful so far as it goes, but it gives nothing approaching a complete list of the earlier works on the subject. Almost any good private library in early English economics could supplement it in many particulars. Although not complete, the book is welcome. Only through such special publications can we hope ultimately to obtain a general bibliography of economics.

From the Knickerbocker Press comes a collection of addresses, magazine articles and other publications, by William C. Cornwell, president of the City Bank of Buffalo, under the title of *Sound Money Monographs* (Putnam's, 1897). The various chapters have no especial connection with each other, but they take up in turn nearly all the currency questions now at issue in the country and treat them in a lucid and popular form. The attractively bound little volume should have a good circulation.

"Short cuts to Utopia are delusive," says Professor Nicholson, in his last published collection of essays — *Strikes and Social Problems* (London, Black; New York, Macmillan). This sentence is charac-

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teristic of the attitude of the author toward the problems he discusses; and, in view of the fairness and sound sense displayed in the discussion, it is desirable that the book should be widely read. So far as the average reader is concerned, there will be much mental profit from a consideration of the stress which Professor Nicholson lays on "such things as prudence and the other elementary virtues which are the constituents of natural common sense, — self-reliance, industry, foresight and perseverance" (p. 41). The ardent, over-confident student of recent works on economics, moreover, will find food for thought in the suggestion that "political economy has a vast literature and you will not find all the good concentrated in the last marginal increment" (p. 193).

Professor Bastable's *Theory of International Trade* has been revised and brought up to date in the second edition (Macmillan, 1897). Both teachers and students will appreciate the author's efforts to utilize, as sound material, this product of the older political economy. It is much to be desired that a series of similar monographs should present, with the same scholarly thoroughness and impartiality, those other achievements in particular fields of economic theory on which all future constructive work must be based.

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